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**ANNUAL REPORT AND  
WESTMINSTER ACCOUNTS 2016/17**  
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# Food Standards Agency

## Annual Report and Westminster Accounts 2016/17

(For the year ended 31 March 2017)

Presented to Parliament pursuant to Section 4 of the Food Standards Act 1999

Accounts presented to the House of Commons pursuant to Section 6(4) of the  
Government Resources and Accounts Act 2000

Accounts presented to the House of Lords by Command of Her Majesty

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# THE PERFORMANCE REPORT

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## CHAIR'S FOREWORD



I took up my role as Chairman of the Food Standards Agency in early 2016 with an ambitious plan to modernise food regulation. While the public rightly have high levels of confidence in the systems we run today, we know that the international food system is changing at pace. Half of our food comes from other countries. Technology is playing a bigger role than ever. Food habits – what we eat, and where we eat it – are in flux. It's our duty to ensure that we keep pace with all these changes, by

**providing a robust, resilient and agile food and feed standards regime for the future.**

In February last year, the FSA kick-started our 'Regulating Our Future' programme. Since then, we have designed a blueprint and key features of a new model for food regulation, one that is risk-based and proportionate. We have been in open policy making-mode, with participants from across the food world. We're already seeing potential for big improvements in the effectiveness of food regulation, so that more businesses get it right all the time, and so we can tackle those that don't more quickly and decisively. Our aim is to have concluded the design, and be underway with implementation, by 2020.

The FSA takes action day-in, day-out, aimed at protecting public health and sustaining public trust. The values at the heart of the department underpin all our work. We put consumers first. We base our decisions on science and evidence. We are open and transparent.

The Board's activities and decisions reflect these values. This year we have:

- Appointed a new independent Science Council. The Council, led by Professor Sandy Thomas, provides high-level, expert strategic insight, challenge and advice to the FSA's Chief Scientific Adviser and to the Board and executive of the FSA on the FSA's use of science to deliver FSA objectives.
- Initiated a Review of the National Food Crime Unit (NFCU). The thorough and comprehensive Review, led by David Kenworthy, made a number of recommendations including the development of an investigative capability for the NFCU. We are taking this forward with HM Treasury to secure funding.
- Called for the mandatory use of CCTV in abattoirs. We think CCTV is an invaluable management tool to help abattoirs comply with official controls monitoring. We will work with Defra and others to see how we can include compulsory use of CCTV as part of our wider reforms of the regulatory regime for slaughterhouses.

- Taken an important role in the fight against antimicrobial resistance. We are working with international partners, other Government departments, and food producers, to reduce the use of antimicrobials in food producing animals.

Other highlights include the free online MenuCal tool which is helping food businesses in Northern Ireland manage allergen information and calculate calories in the food they serve. And in Wales it is now a requirement for takeaways to promote, bilingually, their Food Hygiene Ratings Scheme (FHRS) ratings on menus and other publicity materials.

We can't predict what the future looks like. But I do know we have to be 'match fit' for that future. That's why, over the next three years, the FSA will concentrate on three essentials: delivering the Regulating Our Future transformation; anticipating, planning for and delivering the consequences of exiting the EU; and doing the day job exceptionally well.

These three priorities are closely interconnected. Life outside the EU will demand a flexible and resilient regulatory system. Getting the new regulatory model right will give us more scope to protect consumers within the rapidly evolving global food system. It could widen our international influence on modern food standards. In the face of so much change, we must keep the regulatory machine running smoothly.

Getting this right will see the FSA sustain and enhance public trust. It will carry my department a long way towards realising our ambition to be regarded, in the UK and beyond, as an excellent, accountable, modern regulator.

This year, we saw several departures from the FSA Board: Tim Bennett, our Deputy Chair and past-Chairman, stepped down after a decade of service to the department; Jeff Halliwell, Dr Roland Salmon, Dr Etta Campbell and Paul Wiles also concluded their Board terms. We welcome new Board members Dr Ruth Hussey (Board member for Wales), Colm McKenna (Board member for Northern Ireland), David Brooks, Rosie Glazebrook, Stewart Houston and Paul Williams. The largely-new Board is already working well, spending time around England, Wales and Northern Ireland to listen to stakeholders and understand their expectations.

Catherine Brown stepped down as Chief Executive at the end of the financial year – one of the stand-out contributions we'll remember from Catherine was her leadership in tackling *Campylobacter*. We appointed Jason Feeny as our new Chief Executive. Jason has a great leadership track record and proven experience of delivering complex change across government.

The Board very much looks forward to working with Jason and our whole staff team, as well as the wider food sector, to realise the potential in the changes that lie ahead and to deliver public trust in food.



**Mrs Heather J Hancock**  
Chairman

16 June 2017

## CHIEF EXECUTIVE'S STATEMENT



**I am pleased to lay before the Westminster Parliament and the National Assembly for Wales, and present to the Northern Ireland Assembly, the Food Standards Agency (FSA) Annual Report and Consolidated Accounts. This edition covers our performance and activities in 2016/17 where we delivered our function across England, Wales and Northern Ireland at a net cost of £91.8m.**

This has been another good year for the FSA. We have made strong progress on the key initiatives over the first two years of our five-year strategic plan to 2020. I am proud of how far we have come and the positive difference we are making for consumers.

Our evident achievements include the Food Hygiene Rating Scheme – standards continue to rise. More than 94% of food businesses in England, Wales and Northern Ireland now have a 'Generally satisfactory' rating or higher (3 or above) and 66% have a hygiene rating of 5 ('Very good').

We are maintaining our zero-tolerance approach on animal welfare breaches. In 2016/17 we took action on 148 critical welfare incidents in 55 businesses (19%). This is backed by the Board's call for CCTV to be mandatory in abattoirs.

Slaughterhouse compliance is also up – nearly 97% meat businesses are rated 'Satisfactory' or above for compliance in England, Wales and Northern Ireland.

Significantly, an estimated 100,000 fewer people were ill due to *Campylobacter* in 2016. People told us it would be impossible but here we are two to three years later reducing the burden of illness and protecting public health. It is one of the things we have achieved jointly with industry and I look forward to continued collaboration on our shared agenda.

Applying our current costing models, we estimate for every £1 of budget, our contribution to the UK economy is about £1.50, meaning we deliver back to the country more than we cost to run.

Reputationally we are strong. Public awareness of the FSA is at 76%, and 66% of people trust us to do our job – which is more than ever before. We will continue to work to earn that trust.

And on the international front we have increased our activity in a number of areas including the Codex Alimentarius (the pre-eminent international food standards setting body). Codex has recently agreed that the UK, represented by the FSA, will lead on the development of international guidelines on the use of third party certification in national food control systems. I look forward to that and other opportunities in the period ahead.

We have continued to share our cutting edge work in the popular series of Chief Scientific Advisor reports and we have a bold new data strategy to publish all the data we possibly can.

To support the rights of consumers to be protected from unacceptable risk, we have developed the Risky Food Framework to assess foods which may present an increased risk per serving. We are developing a new, open and collaborative approach to surveillance. It will be data-driven, using a broader range of sources and techniques, working with other countries that are keen to collaborate with us and address similar challenges.



We need to be the best organisation we can so we keep pace with changes around us, we need to control our expenditure and respond to new risks. The cost of FSA meat inspection has gone down, we have beaten the space occupation target set by government, we are showing how agile we are on our Evolve IT programme and we have added to our collection of awards for communications. We will always strive to do our best for consumers, and our business plan for 2017/18 includes a renewed focus on our capabilities so that we continue to improve our skillsets and ways of working.

There is much more to do but throughout the coming months and years we will remain focused on our fundamental priority which is to make sure that food is safe and what it says it is.



**Jason Feeney**

Chief Executive and Accounting Officer

3 July 2017

# ACTIVITIES AND PERFORMANCE DURING 2016/17

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The FSA's activities can be grouped into six themes as set out in our 2015-20 strategic plan<sup>1</sup>. Our annual corporate business plan follows this structure<sup>2</sup>.

In this section of the report, we report on our activities and performance for 2016/17 against these six headings.



1 [www.food.gov.uk/sites/default/files/Strategy%20FINAL.pdf](http://www.food.gov.uk/sites/default/files/Strategy%20FINAL.pdf)

2 [www.food.gov.uk/fsa-strategy-2015-2020.pdf](http://www.food.gov.uk/fsa-strategy-2015-2020.pdf)

## OVERALL OBJECTIVE

To protect consumers from unacceptable levels of risk



Key initiatives in this area include:

### CAMPYLOBACTER CAMPAIGN

#### Overall objective:

To deliver a future where Campylobacter in poultry is no longer a threat to human health in the UK; and associated costs to the UK economy are reduced.

#### Objectives for 2016/17:

To continue to incentivise the UK poultry industry to reduce Campylobacter contamination levels on poultry, so that:

- the existing slaughterhouse target is met,
- laboratory confirmed cases of human Campylobacteriosis are reduced, that is equivalent to 100,000 fewer estimated cases of Campylobacter, is recorded by 1 April 2017, and
- to assure sustained and sustainable control by processors, retailers and others of the levels of Campylobacter in fresh UK poultry

#### Progress summary:

The FSA's Campylobacter campaign built on the good progress made in 2015/16 and delivered significant reductions in the percentage of chicken skins contaminated with high levels of Campylobacter. As a result of the work initiated by the FSA, it is estimated human cases of Campylobacter were reduced by approximately 113,000 cases in 2016 compared to the baseline.

### INTERESTS OF VULNERABLE PEOPLE

#### Overall objective:

To protect the interests of vulnerable people in relation to food.

#### Objectives for 2016/17:

To use open policymaking approaches to investigate whether synergies can be drawn between different risks, different groups of consumers who may be 'at risk'<sup>3</sup> and to identify who else is working in these areas to identify where the FSA might work together with others in the wider interests of consumers in relation to food.

<sup>3</sup> 'at risk' is being considered in its broadest sense (eg for reasons of biology/physiology, practice, context).

**Progress summary:**

The project undertook work to explore an open policy making approach to the work on the interests of vulnerable people in relation to food.

**PRODUCT RECALLS PROJECT**

**Overall objective:**

To review and enhance the efficacy of current traceability, withdrawal and recall processes from both an industry and competent authority perspective, to ensure that they deliver effective consumer protection.

**Objectives for 2016/17:**

- To gather the necessary evidence to assess the efficacy of current processes.
- To take a systems-based approach to identifying and implementing actions required to enhance those processes in order to deliver more effective consumer protection.

**Progress summary:**

The project did a significant amount of research to assess the scope of the issues involved in product withdrawals and recalls. The project also ran a stakeholder and consumer engagement forum and produced a high level action plan.

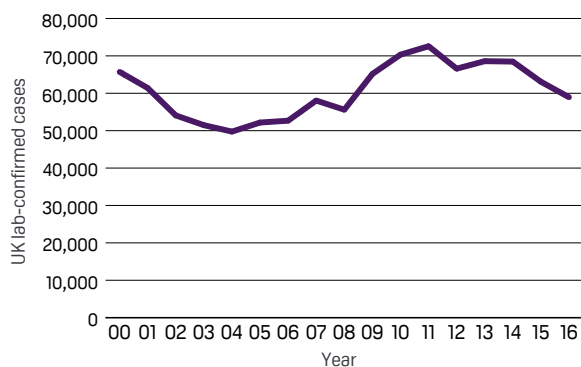


**PERFORMANCE**

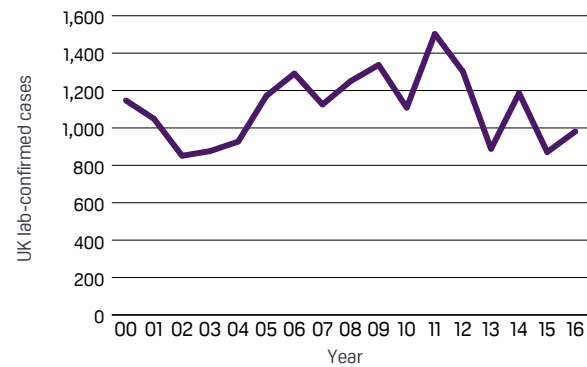
**Foodborne Disease**

It is the responsibility of people producing and supplying food to ensure it is safe and what it says it is. An estimated one million people are affected by foodborne disease in UK annually costing the economy c. £1bn. Laboratory confirmed human cases in the UK from 2000 to 2016 of the four major bacterial pathogens are shown. Only a minority of cases are reported and samples sent for lab analysis.

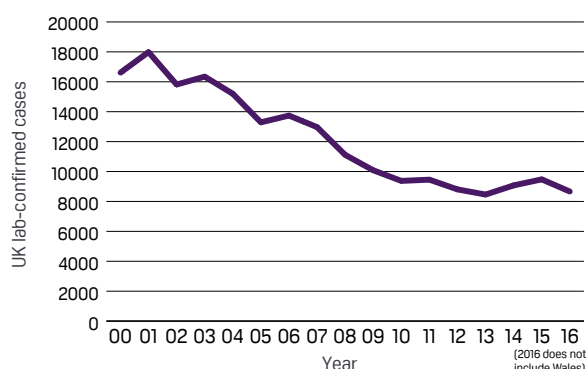
**Campylobacter**



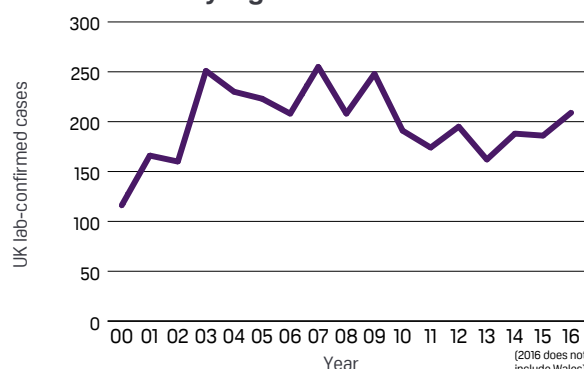
**Escherichia coli 0157**



### Salmonella



### Listeria monocytogenes



Source: Public Health England, Public Health Wales, Health Protection Scotland and Public Health Agency for Northern Ireland

## Reducing cases of Campylobacter

The FSA has a multi-year programme of work to promote industry and consumer change to reduce Campylobacter. This work includes undertaking a microbiological survey of Campylobacter contamination in fresh whole UK produced chilled chickens at retail sale. As a result of the retail survey, several retailers are now taking enhanced action and publicising their intentions.

### UK industry achievement of slaughterhouse target

Latest slaughterhouse results show year-on-year improvement. Results from the second year of the retail survey demonstrate consistently lower levels than the same period the previous year. However, it is likely that these improvements are to some extent being overstated owing to the issue of the increased trimming of chicken neck skin. The industry as a whole did not meet the December 2016 <10% target, though some individual processors did. Plans are ongoing to provide a risk-based targeted approach, to sustain the gains made so far and potentially drive further improvements.

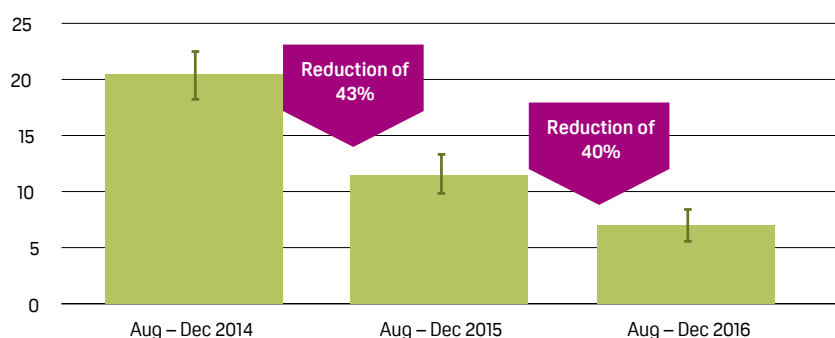
**“An estimated 100,000 fewer people were ill due to Campylobacter in 2016”**

### Retail survey: sample of chicken skins

The level of Campylobacter contamination on chicken skin is measured in terms of the number of colony forming units per gram of skin (cfu/g). The primary focus of attention is on high levels of Campylobacter – namely, those over 1,000cfu/g.

The FSA ran a first survey from February 2014 to February 2015, a second survey from July 2015 to February 2016 and a third began in August 2016. The chart below compares the results from the time period August to December over all three of these surveys.

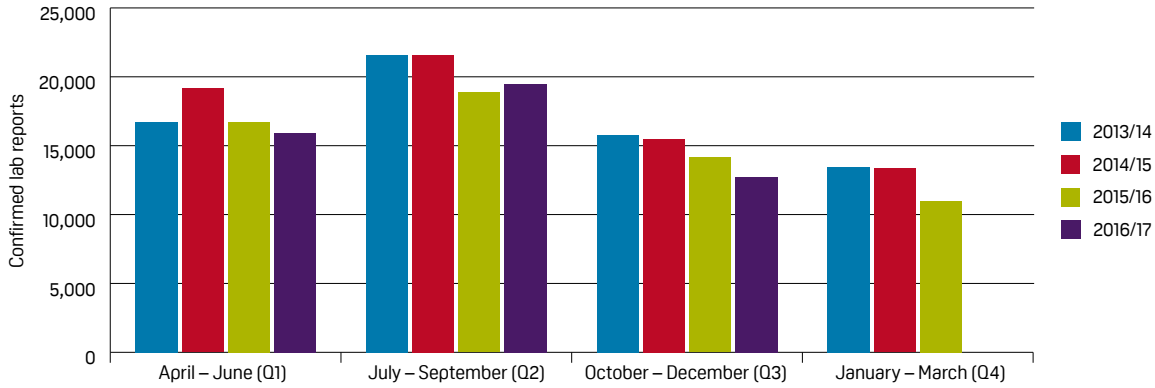
### % of chicken skin samples with over 1,000cfu/g Campylobacter



## Confirmed cases of Campylobacter

For the last 12 months for which we have data (January 2016 to December 2016) confirmed lab reports of Campylobacter for the UK dropped by 12,323 (17.3%) from the baseline (2009 to 2013) of 71,261 confirmed lab reports to 58,938 confirmed lab reports. This is estimated to be equivalent to approximately 115,000 cases.

### Campylobacter lab reports by quarter

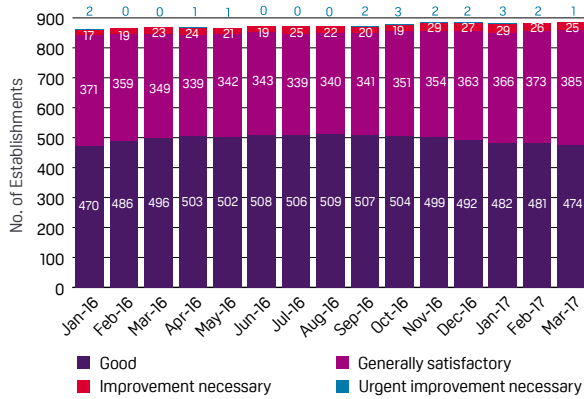


## Meat food business operator compliance with regulations

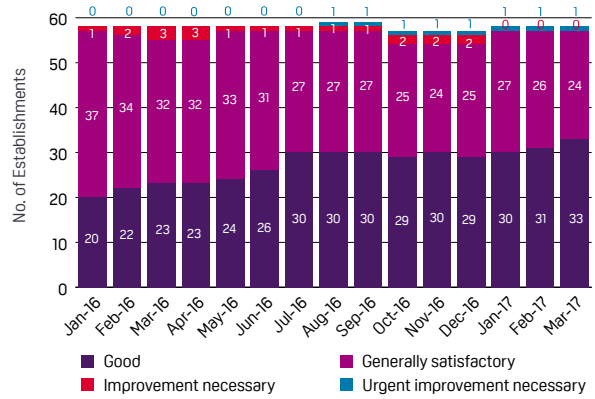
It is the responsibility of food business operators to comply with regulations. In addition to routine official controls and inspections, the FSA carries out audits to verify compliance and works with food business operators to identify where improvements are necessary. Where an audit finds that a food business operator is non-compliant with regulations, urgent improvement is necessary.

In March 2017, 97.2% of 14,833 meat business rated satisfactory or above for compliance.

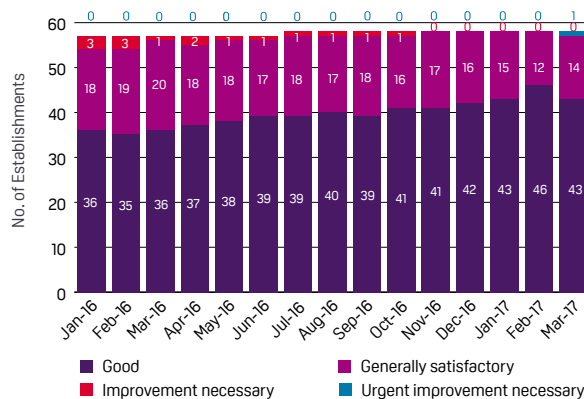
### England



### Wales



### Northern Ireland



The FSA is doing a piece of analysis to better understand characteristics of food business operators who have repeatedly fallen into the category of ‘improvement necessary’ and ‘urgent improvement necessary’. This analysis will inform food business operator performance improvement activity going forward.

## DELIVERY

The FSA delivered the following outputs to support the outcome of **Food is Safe**:

### Campylobacter Campaign

- New analysis methodology for sampling at retail.
- Consumer acceptability work was published to coincide with the re-launch of the retail survey after a successful revision and testing of an alternative protocol.
- Results of the tier 2 retail survey<sup>4</sup>.
- FSA published performance on delivery of Campylobacter campaign<sup>5</sup>.
- Commencement of publication of industry data to FSA-defined data standard.
- Launched risk-based targeted approach for monitoring and driving low level of campylobacter in slaughterhouses.

### Interests of vulnerable people

- A joint FSA/Social Science Research Committee (SSRC) workshop.
- The FSA explored an open policymaking approach to the work on the interests of vulnerable people in relation to food. This work included engagement with Policy Lab from Cabinet Office to exploit innovative and new techniques and approaches to develop the FSA’s approach to its policy activities.
- The work looked at how to engage, influence and collaborate across a broader stakeholder population and how to exploit information and views from organisations the FSA would not conventionally interact with to provide new insights to combat food challenges.

### Product recalls project

- There were no metrics available relating to the efficacy of current traceability, withdrawal and recall processes, so the FSA initiated research to baseline the current system, determine the performance of the system and views of stakeholders. This baseline will help identify the strengths and weaknesses of the system.
- Stakeholder and consumer engagement was undertaken and the first meeting of the Stakeholder Reference Group was held in September 2016<sup>6</sup>.
- Further evidence gathering initiated and completed including delivery of high level action plan. The high level deliverables provided a clear steer for the FSA to determine what steps needed to be taken, if any, to improve the current system. The first stage of the project was to research

4 [www.food.gov.uk/news-updates/news/2017/16052/latest-figures-reveal-decline-in-cases-of-campylobacter](http://www.food.gov.uk/news-updates/news/2017/16052/latest-figures-reveal-decline-in-cases-of-campylobacter)

5 [www.food.gov.uk/news-updates/news/2017/16052/latest-figures-reveal-decline-in-cases-of-campylobacter](http://www.food.gov.uk/news-updates/news/2017/16052/latest-figures-reveal-decline-in-cases-of-campylobacter)

6 [www.food.gov.uk/business-industry/food-incidents/review-withdrawals-recalls](http://www.food.gov.uk/business-industry/food-incidents/review-withdrawals-recalls)

the current system to determine its strengths and weaknesses. This will lead to a report on the current system and recommendations to improve the system.

- We commissioned research to analyse incidents and review the delivery approach of other countries.
- We commissioned research to analyse those reporting incidents and length of time between receiving an incident and initiation of a recall.
- Development and delivery of the intervention action plan and work stream development was initiated.
- Discovery and evidence through analysis of internal and external research was received and development and delivery of the intervention action plan was initiated. The research will conclude in July 2017.

## EU Exit

In June 2016, the UK voted to leave the European Union. This decision has the potential to have very significant implications for the UK food system and its regulation. The FSA's role remains to carry out our mandate from Parliament of 'protecting public health and other consumer interests in relation to food'. As so much of the regulation relating to food is founded on EU law, the FSA is one of the departments with the highest proportion of legislation originating from the EU; in 2016, we began to plan how we would achieve this in 2017/18.

The FSA decided to manage the work to prepare for exiting the EU as a change programme. Work has been underway to develop high-level models for achieving the FSA's strategic outcomes for consumers outside the EU in a highly globalised food system.

Extensive engagement with businesses has highlighted opportunities and risks, which the FSA has incorporated into its thinking. We ran a series of round tables with businesses of all sizes across England, Wales and Northern Ireland, and held bilateral meetings with representatives of the most affected sectors.

We undertook consumer research to identify how views have shifted since the referendum, to ensure that we and others in government are working with the most up-to-date information about the interests of consumers in relation to food.

We held detailed discussions with our local authority delivery partners, including port health authorities, on how we will continue to work together to deliver our regulatory responsibilities in the lead up to, and after, leaving the EU. The outcome of this work is being drawn together to inform the FSA's EU Exit Programme, which has been incorporated in our change portfolio.



## OVERALL OBJECTIVE

To work with industry and other authorities to identify areas of risk associated with authenticity and with food crime and agree actions to reduce them on behalf of consumers



FOOD IS  
WHAT IT  
SAYS IT IS

Key initiatives in this area include:

## FIGHTING FOOD FRAUD: THE NEXT STEPS FOR THE NATIONAL FOOD CRIME UNIT

### Overall objective:

To protect consumers from food fraud by disrupting and deterring criminal activity.

### Objectives for 2016/17:

- To staff and equip the National Food Crime Unit (NFCU) to achieve full operational capability.
- To complete the roll-out of the NFCU human intelligence management process.
- To publish an industry guide to working in partnership with the NFCU.
- To fully connect devolved food fraud capabilities with NFCU mechanisms and processes.
- To review NFCU progress and its likely future needs.
- To produce an implementation plan for the NFCU review recommendations.

### Progress summary:

In 2016, the NFCU reached its full staffing capacity with all necessary processes in place to perform its current role of intelligence collection and analysis. The unit's Food Crime Confidential facility was launched, enabling information about food crime to be reported safely and in confidence, and published an industry guide for working in partnership with the NFCU.

In the autumn, the Agency conducted a review of the NFCU, overseen by an independent panel of experts. The review concluded that, subject to securing the required funding, the NFCU should have an extended mandate to conduct criminal investigations.

Between 1 July 2016 and 31 March 2017, the unit developed and disseminated a total of over 500 pieces of actionable criminal intelligence to local government and law enforcement partners.

The NFCU leads the law enforcement response to the illegal trade in toxic chemical 2,4 dinitrophenol (DNP) as a slimming supplement. Proactive NFCU operational activity in 2016 led to the seizure of a significant quantity of DNP and contributed to a dramatic fall in confirmed cases of toxicity. UK deaths attributable to the substance fell from six in 2015 to just one in 2016. Intelligence developed by the NFCU led to the first UK criminal conviction for selling DNP with a second trial expected for the summer of 2017.

## SURVEILLANCE

### Overall objective:

To design and pilot a new approach to surveillance.

### Objectives for 2016/17

New surveillance approach to be fully implemented in 2017/18, based on rational design in which we identify the question to be answered from our analysis of food chain risks, determine the amount of data which would allow us to draw conclusions with an appropriate level of certainty, source relevant data that others hold, and only commission new sampling and analysis where insufficient data is available.

### Progress summary:

The strategic surveillance programme has been relaunched through a new mandate to develop a new strategic approach to food and feed surveillance, which meets the WHO definition of the ongoing systematic collection, collation, analysis and/or interpretation of data, followed by dissemination of information so that directed action may be taken. The new programme builds upon the outputs of a facilitated workshop in early 2017 where a new scan/spot/narrow/ model for strategic surveillance was proposed. Four work streams have been created to pilot and develop the new strategic surveillance approach.



## PERFORMANCE

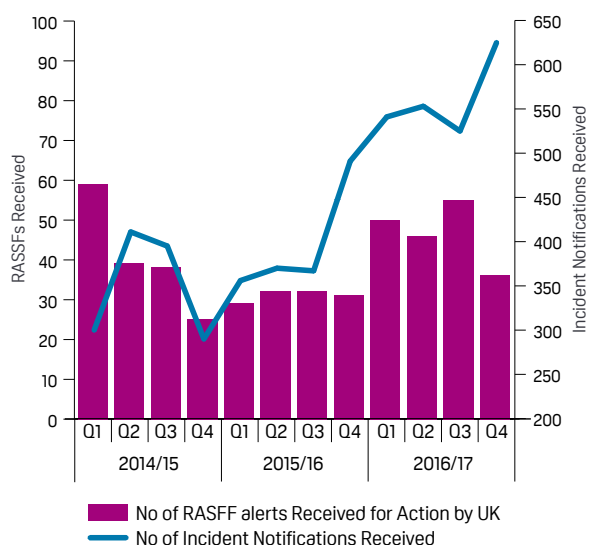
It is the responsibility of people producing and supplying food to ensure it is safe and what it says it is, and the Food Standards Agency has a key leadership role in ensuring suppliers fulfil that new strategic approach to food and feed surveillance, which meets the WHO definition of the responsibility.

Consumers have the right to make informed decisions about their food and this is only possible when it is correctly and accurately identified, and appropriately labelled.

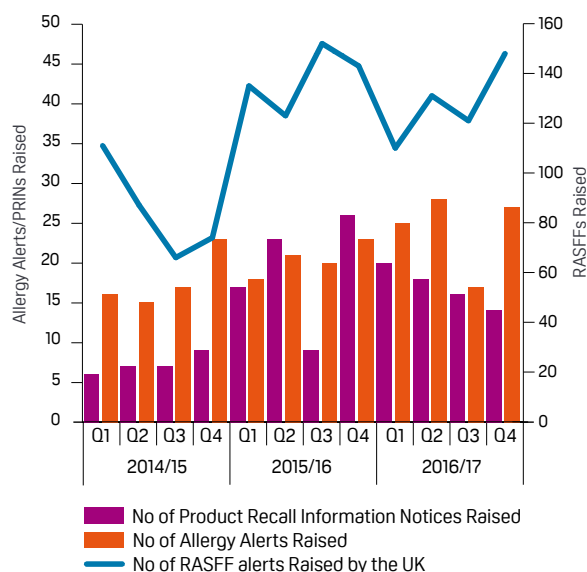
Food business operators are required, under Article 19 of European Regulation No. 178/2002, to inform the competent authorities where they have reason to believe that a foodstuff that they have imported, produced, manufactured or distributed is not in compliance with food safety requirements. In the case of the UK, the competent authorities are the Food Standards Agency and the food authorities (local and port health authorities). Food safety information is communicated between the European Commission and member states using the Rapid Alert for Food and Feed (RASFF) system.

An incident is defined by the FSA as: 'any event where, based on the information available, there are concerns about actual or suspected threats to the safety or quality of food and feed that could require intervention to protect consumers' interests.' The below shows the number of food related incidents reported in the past three years.

### Notifications Received



### Alerts Raised



Data unverified pending publication of the FSA's Official Statistic Report.

The Incidents and Resilience Annual Report 2015/16 can be viewed at the link below<sup>7</sup>.

## The National Food Crime Unit

The National Food Crime Unit (NFCU) reached its full staffing complement of 20 in July 2016 with all necessary processes in place to perform its current role of intelligence collection and analysis.

The launch of the unit's Food Crime Confidential<sup>8</sup> facility in June 2016 completed the roll-out of its human intelligence management capability. The unit recruited appropriately trained and experienced staff and put in place relevant operational security protocols. The NFCU is now equipped to process reporting from whistle-blowers and other sensitive sources of information on food crime to the highest law enforcement standards.

The FSA published an industry guide<sup>9</sup> in June to clarify the unit's expectations of and undertakings to the food industry in relation to the reporting of food crime suspicions. The guide makes clear that the NFCU welcomes contact from those working in and around the food industry and unequivocally states that information provided will be managed with sensitivity, fully recognising the commercial interests of the source.

Within the Food Standards Agency, the NFCU provides strategic leadership on food crime intelligence across England, Wales and Northern Ireland. The unit sets the strategic priorities for information gathering for the three nations and provides analytical, intelligence support where required. In Wales, the operations of the NFCU are also supported by the Welsh Food Fraud Coordination Unit.

The independent review of phase one of the NFCU was completed and its recommendations put to the Board in November 2016. The review was conducted by FSA staff outside of the NFCU and overseen by an independent panel drawn from the public and private sector. The review

7 [www.food.gov.uk/sites/default/files/fsa160706.pdf](http://www.food.gov.uk/sites/default/files/fsa160706.pdf)

8 [www.food.gov.uk/news-updates/news/2016/15226/food-crime-confidential-launch](http://www.food.gov.uk/news-updates/news/2016/15226/food-crime-confidential-launch)

9 [www.food.gov.uk/news-updates/news/2016/15642/nfcu-launches-industry-guide](http://www.food.gov.uk/news-updates/news/2016/15642/nfcu-launches-industry-guide)

recommended that the NFCU should be given an investigative mandate for food crime and the powers, capabilities and resources required to discharge those new responsibilities. It also recommended that the unit should have operational independence from the Food Standards Agency. The operations of the Welsh Food Fraud Coordination Unit in Wales will be reviewed to ensure alignment with the 8 NFCU.

The FSA Board agreed with the recommendations of the review. Following the Board's decision, the FSA is seeking broad support for its proposed direction of travel from Ministerial stakeholders. The operations of the Welsh Food Fraud Coordination Unit will be reviewed to ensure alignment with the NFCU.

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## DELIVERY

The FSA delivered the following outputs to support the outcome of **Food is what it says it is:**

### Food crime

- Launch of Food Crime Confidential facility.
- Industry guide to working with the NFCU was published.
- A review of NFCU progress and assessment of likely future needs was completed.<sup>10</sup>
- The 2017 Food Crime Annual Strategic Assessment was completed.

### Surveillance

- A Surveillance Summit event was held in November 2016<sup>11</sup>, which achieved the aims of fostering a common understanding of surveillance, moving collective thinking away from just sampling and analysis to encourage creative thinking and shared the FSA's vision of an open, collaborative approach and how this benefits everyone to gain buy-in from all stakeholder groups.
- A consultancy firm was commissioned to undertake a review of the existing surveillance procedures. It engaged with senior FSA executives to understand the case for change, highlight how delivery should be approached and to confirm possible future pilots.
- The project mandate was agreed at Q4.
- The Surveillance team ran workshops inviting colleagues from ROF, import/exports team and analytics to start the design of the different work packages to deliver the different workstreams.

<sup>10</sup> [www.food.gov.uk/sites/default/files/fsa161106.pdf](http://www.food.gov.uk/sites/default/files/fsa161106.pdf)

<sup>11</sup> [www.food.gov.uk/news-updates/news/2016/15753/food-surveillance-summit-get-involved](http://www.food.gov.uk/news-updates/news/2016/15753/food-surveillance-summit-get-involved)

## OVERALL OBJECTIVE

To use science, evidence and information both to tackle the challenges of today, and to identify and contribute to addressing emerging risks for the future

.....  
 GATHERING AND  
 USING SCIENCE,  
 EVIDENCE AND  
 INFORMATION  
 .....

Key initiatives in this area include:

## SCIENCE, EVIDENCE AND INFORMATION (SEI) PROGRAMME

### Overall objective:

To ensure the FSA uses science, evidence and analysis effectively, by linking with and integrating across the FSA, to underpin and support implementation, delivery and evaluation of the FSA Strategy for 2020 to deliver benefits for consumers; and to ensure we take a longer view, informing FSA strategy and developing FSA capabilities to deliver beyond 2020.

### Objectives for 2016/17:

- Science work and its value is visible and understood by the Executive Management Team (EMT) and the wider organisation.
- To prioritise effectively the science the FSA commissions in line with a wider corporate approach.
- To understand the professional capabilities needed to achieve FSA objectives and recruit or develop them and to make significant progress on specific programme outcomes:
  - science work is integrated across the organisation and contributes to the tactical and strategic goals throughout
  - commissioned science has a measurable impact, realises benefits and demonstrates a return on investment
  - FSA will leverage maximum value from science conducted outside the organisation before commissioning internal science

### Progress summary:

The Science, Evidence and Information Programme was established to underpin successful delivery of the FSA's Science, Evidence and Information Strategy. Its overarching purpose was to develop the right environment to ensure all of our work is strategically aligned, prioritised, delivered effectively, has maximum impact and produces value for money. The programme put in place performance indicators and measures to track progress in delivering these outcomes.

## Chief Scientific Advisor's Report <sup>12</sup>

In his sixth Science Report, the FSA's Chief Scientific Advisor, Professor Guy Poppy, examined data science and how work undertaken in 2016/17 helped the Agency to achieve its objective of becoming a data driven organisation.

The report showed how the Agency was bringing together a wide range of data, from the complex food industry 'ecosystem' to social media and consumer preferences, to explore ways that it can meet its regulatory responsibilities going forward and become data-driven. This also includes working in partnership on research with University College London's Big Data Institute and the Office for National Statistics amongst others, to get the best value from data as well as supporting FSA objectives and learning with and from others. Data science fed into the implementation of the Agency's innovative new Surveillance Strategy and the 'Regulating our Future' change programme.

## OUR FOOD FUTURE

### Overall objective:

To lead a dialogue on the challenges that will face food systems supplying UK consumers and to develop an understanding of what consumers perceive as the 'best food future'.

### Progress summary:

We commissioned research to find out what consumers want to know about food and found that people feel that one of the welcome changes is the trend for increased information and education available about the food we eat. This led us to carrying out our Food Safety Week food waste awareness raising activity, our Christmas 'Freezer Fairy' activity and commissioning research on consumer priorities in a transparent food system.



## PERFORMANCE

### Food waste

In 2016, the FSA focused its annual Food Safety Week on raising awareness of food waste, the impact and risks and how to minimise it. The FSA wanted to change behaviours around food waste in the home particularly with those who reported risky behaviours in relation to 'use-by' dates and leftovers, for example eating food past its 'use-by' date and keeping leftovers for longer than they should to save money.

The activity reached more than 57 million people. The campaign also achieved a statistically significant increase in 7/10 tracked key performance indicators including an increase of 59%-63% stating 'I will use my freezer more often to avoid food waste' and an increase of 57% – 65% stating that 'Eating food by the use-by date helps to avoid food poisoning'.

The following shows the public's priorities regarding what changes are required to ensure the future of food production.



<sup>12</sup> [www.food.gov.uk/news-updates/news/2017/16129/science-report-published-on-use-of-data-science-in-the-fsa](http://www.food.gov.uk/news-updates/news/2017/16129/science-report-published-on-use-of-data-science-in-the-fsa)

More **technology** in food production **50%**  
 Make **changes** to what we eat **50%**  
 Eat **less meat** **37%**

## Food sustainability and food futures



Changes needed to ensure there is enough food to **feed the worldwide population**

Source: Our Food Future Survey Wave 4 2016<sup>13</sup>

## DELIVERY

The FSA delivered the following outputs to support the objective of **Gathering and Using Science, Evidence and Information**:

### Science, Evidence and Information (SEI) programme

- The programme was defined and a project on the benefits, capabilities and priorities initiated.
- A new prioritisation for science commissioned was implemented.
- The new benefits framework was approved along with the SEI capability strategy.

### Our Food Future

- An action plan was developed to devise next steps in response to the outcomes analysis following the 'Our Food Future' event.
- A Christmas food waste campaign ('The Freezer Fairy')
- Two dietary health campaigns in Northern Ireland.

### Other significant activity included:

#### Antimicrobial resistance surveillance

Antimicrobial resistance means that it's harder, or impossible, to treat an increasing range of infections. A report<sup>14</sup> by the FSA's Chief Scientific Adviser examined the science behind antimicrobial resistance, or AMR, and presented the latest findings around the role that food plays in the problem.

<sup>13</sup> [www.food.gov.uk/science/research-reports/ssresearch/foodandyou](http://www.food.gov.uk/science/research-reports/ssresearch/foodandyou)

<sup>14</sup> [www.food.gov.uk/sites/default/files/csa-amr-report.pdf](http://www.food.gov.uk/sites/default/files/csa-amr-report.pdf)

The FSA Board discussion in September 2016 concluded that the FSA should undertake surveillance work on AMR and at its meeting in November 2016, the Board was updated on the progress of this work.

In November 2016, the FSA published the final report of a systematic review to assess the significance of the food chain in the context of AMR bacteria with particular reference to pork, poultry meat, dairy products, seafood and fresh produce on retail sale in the UK.<sup>15</sup>

This review provided a sound evidence base for a new domestic surveillance programme on AMR, as well as informing the FSA's priorities and the UK position in Codex discussions. It is also a good example of the use of systematic reviews to assess the overall evidence in this important area, what the evidence as whole can tell us and with what confidence, and where there are important gaps.

This review confirmed that there is a lack of AMR prevalence data for UK-produced food and, to a lesser extent, in countries that export food to the UK. The review recommended developing surveillance programmes that will identify trends in the prevalence of AMR bacteria in foods (in particular for retail poultry and pork meat) which could be used to assess potential risks associated with exposure to such hazards among UK consumers.

Based on the data gaps identified by the AMR systematic review, the FSA is now embarking on the first strategic surveillance study of AMR pathogens and commensal bacteria in retail poultry and pork meat.

The main aims of the surveillance study are to help inform risk assessment of AMR in the food chain and to monitor trends. In the longer term, it will help us track progress with interventions aimed at tackling AMR and will contribute to the wider international effort to reduce AMR. The study will be UK wide and will include foods from non-UK producers.

The FSA anticipates the sampling of products to start in summer 2017 with the survey report to be submitted late 2017. We aim to publish the final report in early 2018.

In March 2017 the FSA organised an AMR stakeholder event to inform industry and others of the important work undertaken by the Agency and the wider Government on AMR bacteria in the food chain. Stakeholders were updated on current efforts being made by the government, across many areas to help develop our knowledge of this issue. This dissemination event and follow on discussion on how AMR bacteria in food could be managed helped forge useful links with our industry stakeholders.

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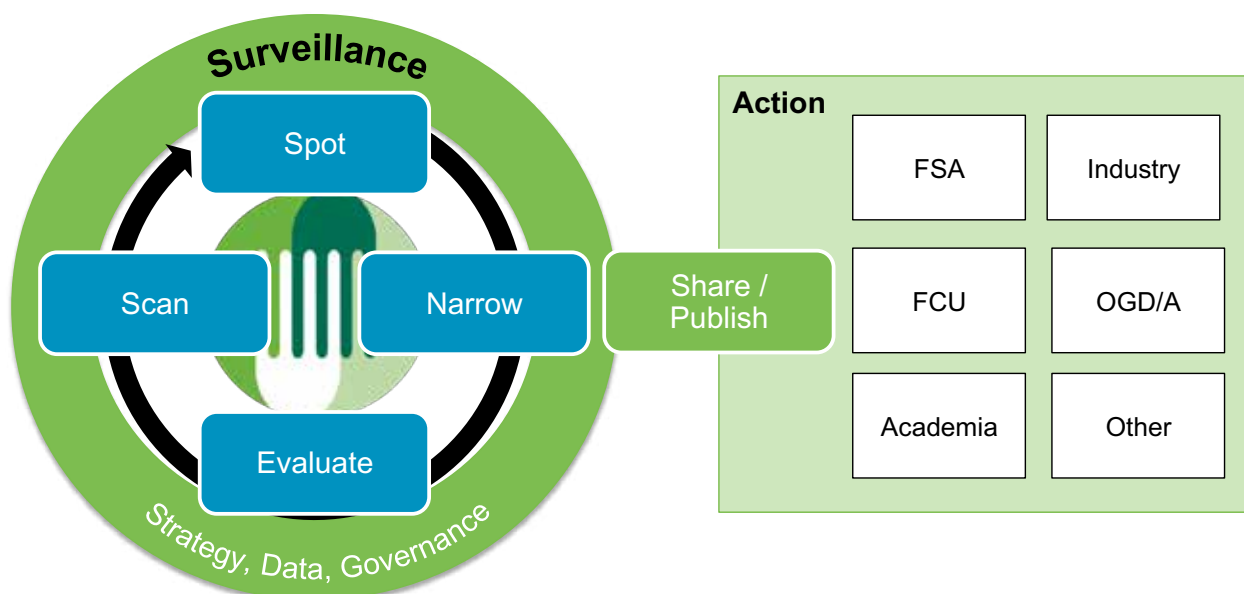
<sup>15</sup> [www.food.gov.uk/science/research/foodborneillness/b14programme/b14projlist/fs102127/a-systematic-review-ofamr-in-pork-and-poultry-dairy-products-seafood-and-fresh-produce](http://www.food.gov.uk/science/research/foodborneillness/b14programme/b14projlist/fs102127/a-systematic-review-ofamr-in-pork-and-poultry-dairy-products-seafood-and-fresh-produce)



## A new approach to food surveillance

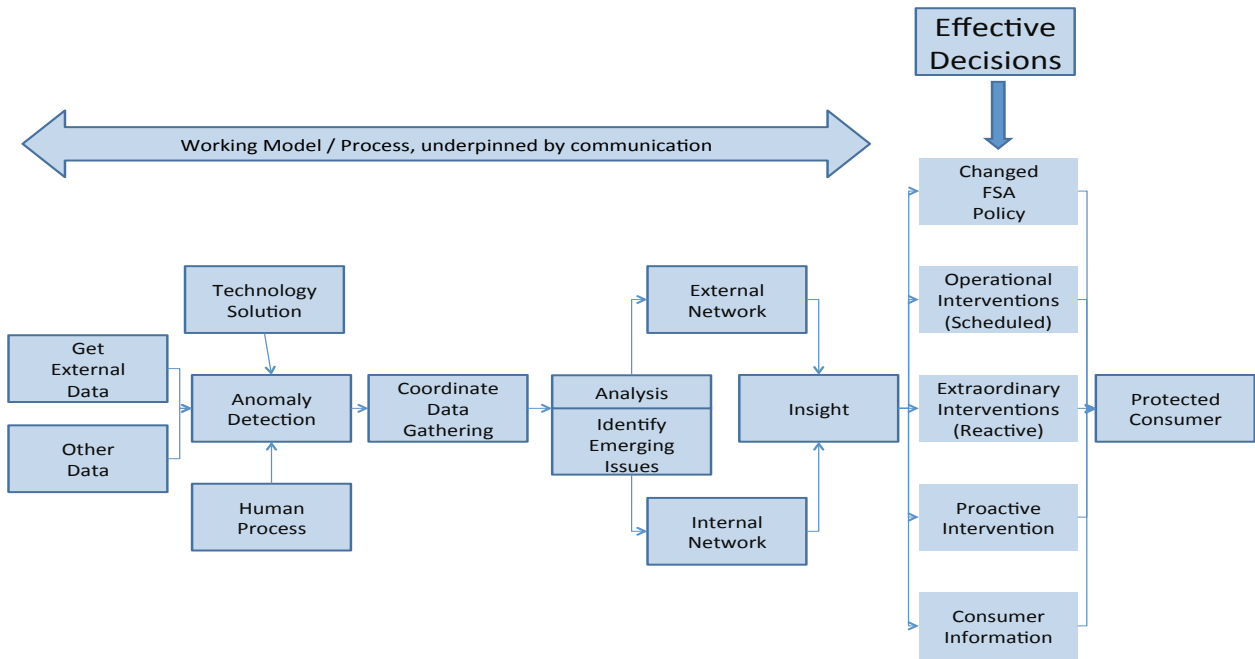
As part of the Agency's new approach to strategic surveillance our first Food Surveillance Summit was held in November 2016 to promote continued and extended stakeholder engagement, specifically around data sharing and delivering surveillance in a coordinated and collaborative way. The strategic surveillance programme will deliver a new approach to surveillance which meets the World Health Organization definition of the ongoing systematic collection, collation, analysis and/or interpretation of data, followed by dissemination of information so that directed action may be taken. Once fully operational, the programme will provide the FSA and other stakeholders across the food system with novel insights. This will drive a prioritised action for the protection of consumers. The ultimate aim is to have a new functioning surveillance system in place by early 2019 which will ensure the FSA has a foundational capability in place to drive Agency priorities. This means a surveillance capability that:

- supports the wider ambition that food is safe to eat and is what it says on the package
- helps us to understand risks (safety/authenticity/assurance) and identify both gaps and risks that are changing or not being managed, followed by a plan of action
- drives decision making and prioritisation across all parts of the FSA and beyond
- uses evidence-based analytics to deliver the appropriate level of confidence/certainty to drive decision-making



Our new approach will be based on iteration of the key phases of scan, spot, narrow and evaluate. It is expected that intelligence and data for scan activity will be drawn from numerous sources such as electronic media (including social), big data sources, internal networks already in existence (eg National Food crime Unit, Food Standards Scotland, and the FSA imports/exports teams), personal networks, formal networks, international contacts and liaisons.

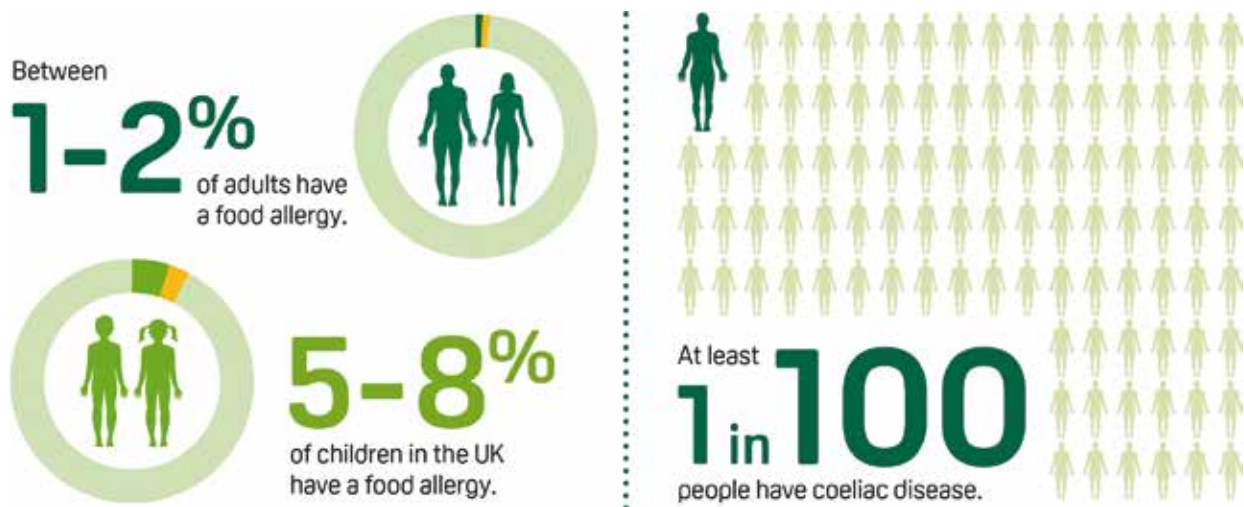
This high-level model has been developed further into the target operating model below:



### Food allergy

Our research on food allergy and intolerance delivered a series of important findings over the year, which will inform our advice to consumers and to businesses and ensure it is up to date with the best evidence. The background to this work and the key findings were reported in the fifth Chief Scientific Adviser’s Report in November 2016.<sup>16</sup>

The science in this area is complex, but great advances are being made to help us understand, why food allergy develops and how it may be prevented. For example, significant progress has, been made in understanding the influence that diet in infancy has on preventing food allergy. However, there is still uncertainty in food allergy and intolerance and the emergence of new data needs to be considered carefully to ensure advice to consumers reflects the best available evidence.



<sup>16</sup> [www.food.gov.uk/sites/default/files/fifth-csa-report-allergy.pdf](http://www.food.gov.uk/sites/default/files/fifth-csa-report-allergy.pdf)

The FSA commissioned a systematic review of the evidence base, drawing together and assessing the evidence base, including work funded by the FSA and by others, This was assessed by the Committee on Toxicity and was published in September 2016.<sup>17</sup>

A sub-committee of the Committee on Toxicity and the Scientific Advisory Committee on Nutrition is producing a risk benefit assessment of when peanut and egg might be introduced into the diet of infants. This work uses findings from FSA-funded studies and other research and will form the basis of integrated advice to the Department of Health to ensure advice reflects the best available evidence and considers all aspects of infant nutrition. This guidance will be especially important to parents of infants at risk of food allergy and the health professionals involved in their care.

### **Research on the indirect costs of foodborne disease for consumers**

Research commissioned by the FSA's Analytics Team provided new estimates of pain and suffering imposed by foodborne diseases (FBD) for then pathogens deemed to be the most material for FSA and for consumers in terms of the severity of the illness and the cost of the FBD to the UK.

The pain and suffering associated with illnesses caused by these pathogens were estimated using two metrics: Quality Adjusted Life Years (QALYs) and Willingness to Pay (WTP); the latter gives an equivalent monetary value for these costs. Both metrics provide a means to assess and compare impacts across different pathogens and potential control measures. These can be used to improve our impact assessments and economic evaluations for our strategic priorities and policy options to reduce FBD risks, allowing us to compare options and priorities on a more robust basis, helping us target the biggest risks in the most effective ways.

### **Understanding the potential of new technologies: Internet of Things review and pilot projects**

The Internet of Things has considerable potential for assisting with food safety and, to a lesser extent, food security. The Internet of Things is a network created from everyday objects, which have the ability to communicate with other devices. The idea is that this would enable advanced services, similar to those designed using internet-connected computers and smartphones. Industry analysts estimate that the number of internet-connected objects could increase from 14 billion today, to somewhere between 20 and 100 billion by 2020. The technology is still emerging, yet there are a few examples of this idea in practice.

[www.itutility.ac.uk/the-impact-of-the-internet-of-things-on-the-food-supply-network/](http://www.itutility.ac.uk/the-impact-of-the-internet-of-things-on-the-food-supply-network/)

<sup>17</sup> [www.food.gov.uk/science/research/allergy-research](http://www.food.gov.uk/science/research/allergy-research)



The FSA co-funded a research initiative with the ‘IT as a Utility Network+’ (ITaaU) to explore how the Internet of Things can be applied to the food supply chain.

The work included a review of published research on the Internet of Things related to food safety and security, which concluded that the most significant impact could be in the area of transport, logistics and storage of food. Sensors can be stored in packaging that measure the temperature, humidity and even chemical composition within the packaging. When combined with a radio-frequency identification tag, this could allow a non-destructive way to monitor the food’s integrity, via a tag-reader located metres away from the package. This technology could simplify tracking and tracing throughout highly complex food supply-chains. Several such systems are commercially available.

We also funded a series of pilots exploring the use of Internet of Things in different aspects of food safety. One project looked at use of data loggers to monitor the actual temperature of sandwiches. The data loggers located in the sandwich sent their data to an app, which informed the shop owner of any significant breaches of temperature control. Another project used a system of sensors installed in a commercial kitchen to generate a record of compliance with food safety protocols. Using systems such as those developed by these projects and, crucially, the data they generate, leads to the prospect of improved food safety via automated processes throughout the food supply chain.

This illustrates how our strategic evidence programme is exploring the potential of new technologies and data to support food safety, effective control and assurance in the future food system, and will help us target further work in this area on promising applications.

### **Understanding consumers behaviours and attitudes: Food and You Survey, Wave 4**

Food and You is the FSA’s flagship consumer survey which provides key data on people’s behaviours, attitudes and knowledge on food safety and food-related issues. It provides key insights to consumer attitudes and behaviours to inform effective policy and regulation. It is an official statistic which is reflected in its robust methodology. Wave 4 of the survey was published

in March<sup>18</sup>. Wave 4 found a number of good news stories where consumers reported a number of practices in line with FSA recommendations on food safety in the home:

- More than eight out of ten respondents (86%) reported they always washed their hands before starting to prepare or cook food.
- Three quarters of respondents (75%) cited the use by date as the best indicator of whether food is safe to eat, this has increased since significantly Wave 1 (62%). The findings also help to build a picture of consumers' eating out practices:
- 72% of respondents reported that the cleanliness and hygiene of the establishment was important to them; overall a third (30%) of respondents who ate out considered this the most important factor.

New questions at Wave 4 also highlight important insights for future FSA work:

- Questions on allergy and intolerance which show that of those who reported an adverse reaction or avoided certain foods, the most common foods that people reported having an adverse reaction to were cows' milk and cows' milk products (22%), cereals containing gluten (13%) and molluscs eg mussels, oysters (11%).

Using the data from Waves 1-4 of Food and You a series of five secondary analysis reports will explore further the useful insights of these data for our policy, advice and regulation. These include understanding the profiles and practices of people with food allergy and intolerance, such as specific population characteristics and their food-related practices; and helping to target messages on key food safety practices related to chilling, cleanliness, cooking and cross-contamination in the UK.

## Understanding complexity in the food system

The UK food system is embedded in a wider system that is increasingly globalised. The FSA and the Economic and Social Research Council co-funded a series of five projects to help us understand the challenges that this presents to the UK agri-food system, food safety, food fraud/ crime and consumer trust. The work was part of the multi-agency Global Food Security programme. The projects explored the effects on safety and confidence of different approaches to food provision, supply chain management and organisation, and how these insights might lead to policy interventions and influence consumer, regulator and industry behaviours.<sup>19</sup>

Three projects focused on fraud in the food supply with objectives including:

- Investigating current and future vulnerabilities to fraud and criminality in food supply chains to identify fraud opportunities and evaluate counter measures that increase consumer trust in food.
- Delivering a predictive computational model that outlines nodes in a food supply network vulnerable to criminal acts of adulteration.
- Generating new in-depth empirical material using qualitative methods on how actors in the food system utilise available information to anticipate and avoid future problems.

<sup>18</sup> [www.food.gov.uk/science/research-reports/ssresearch/foodandyou](http://www.food.gov.uk/science/research-reports/ssresearch/foodandyou)

<sup>19</sup> [www.food.gov.uk/science/research-reports/ssresearch/understanding-the-challenges-of-the-food-system](http://www.food.gov.uk/science/research-reports/ssresearch/understanding-the-challenges-of-the-food-system)

The other two centre on people's perceptions of the UK food system, specifically:

- older people's perceptions of strengths and vulnerabilities in the UK food system
- empirical findings on public perceptions in the UK food system chains, what people's concerns are and how they can be best managed in the future

The findings included useful insights into the way businesses, as part of a wider system, may respond to risks and how this relates to approaches to resilience and compliance, which will be informative for our work on Regulating Our Future. Findings also reinforced the value of and need for synthesis of different sources of information and evidence, and of sharing data, to get more effective analysis and insight on food risks, fraud and behaviours. This is reflected in our new approach to surveillance.

## OVERALL OBJECTIVE

To empower and support consumers to make informed decisions about the food that they eat, thus influencing the food system as well as their own well-being and that of their families and communities



EMPOWERING  
CONSUMERS

Key initiatives in this area include:

## IMPLEMENTATION OF OUR COMMUNICATIONS STRATEGY

### Overall objective:

To use communication more effectively so that the FSA can be 'genuinely open and engaging, finding ways to empower consumers both in our policy making and delivery, and in their relationship with the food industry', and respond to a changing world, new channels, new voices and new expectations.

### Objectives for 2016/17:

Define and agree the strategy, skills and ways of working needed and implement change.

### Progress summary:

The FSA's public reputation score reached its highest recorded level at the end of 2016/17, which demonstrates excellent progress towards empowering consumers. The FSA was ranked as the eleventh highest government department out of sixty for reputation, and the top regulator. This performance shown significant improvement and the FSA remains well above the public sector average, in terms of public trust.

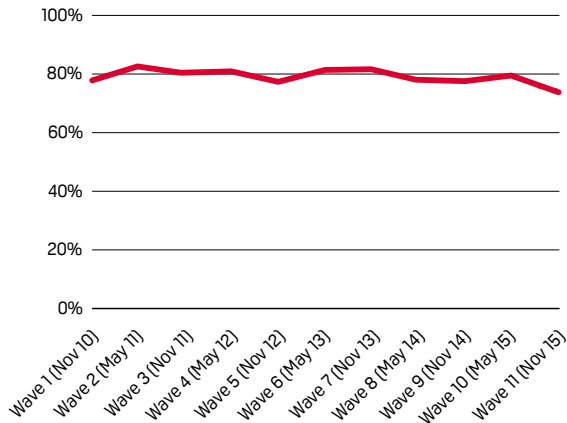


## PERFORMANCE

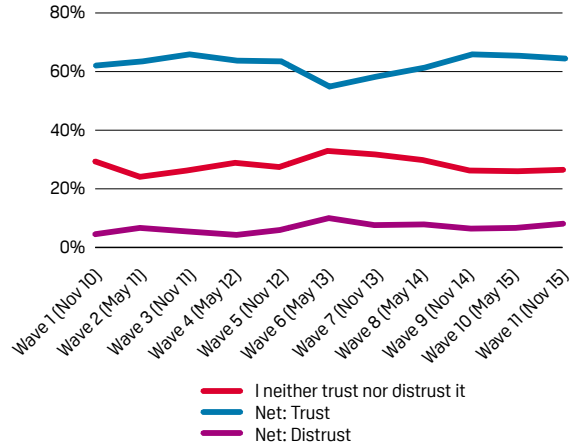
FSA's reputation is primarily driven by perceptions of Citizenship (19.9%), Products/Services (15.2%) and Leadership (14.6%). This indicates that the informed general public is mostly concerned about how FSA has a positive influence on society (Citizenship), offers a reliable and efficient service (Products/Services), and is a well-led organisation with clear goals (Leadership). These figures support the view that the informed general public currently have confidence in the FSA to fulfil its role in a responsible manner and they would like to see how FSA will use its responsibilities to benefit society.

However, 37% - 63% are still neutral or unsure in their perceptions of FSA across the dimensions, which remains an opportunity for FSA to strengthen its reputation further. The graphs below show the awareness and trust figures from 2010 – 2016.

### Public Awareness of FSA



### Trust in the FSA



The latest wave of the consumer insight biannual public attitudes tracker has highlighted that awareness of the FSA is highest in Wales (85%), followed by Northern Ireland (79%) and then England (76%). However, of the 76% of people aware of who we are, trust in the FSA is highest Northern Ireland (85%), followed by England (65%), and then Wales (58%).

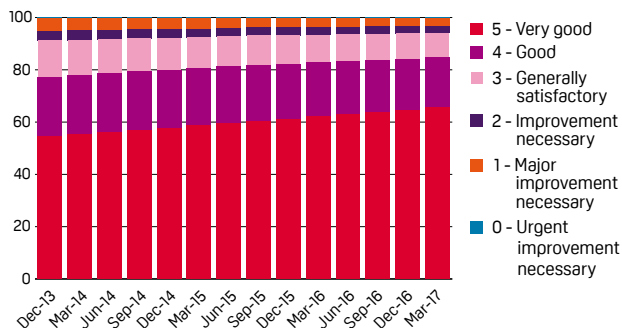
### The Food Hygiene Rating Scheme (FHRS)

The FHRS is operated in partnership with all local authorities in England, Northern Ireland and Wales, who carry out the inspections on which ratings are based. Ratings range from 5 ('Very good') to 0 ('Urgent improvement necessary').

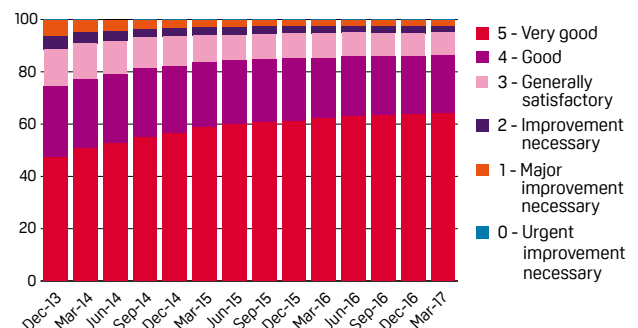
As at 31 March 2017, food hygiene ratings were published for 427,669 food establishments across England, Northern Ireland and Wales. For the first time, more than 99% of rated businesses in Northern Ireland achieved a rating of 3 or better; in Wales 95% were rated 3 or better and in England the percentage was 94%. Growth in 5 rated businesses has continued in Northern Ireland following the coming into force of the Food Hygiene Rating (Northern Ireland) Act 2016. The growth of 5 rated businesses in England and Wales has risen consistently in line with the increases seen in previous quarters throughout 2016/17.

The graphs below show the % distribution of FHRS ratings captured by country:

#### England

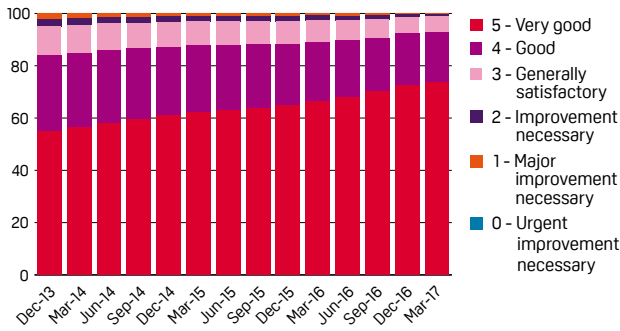


#### Wales

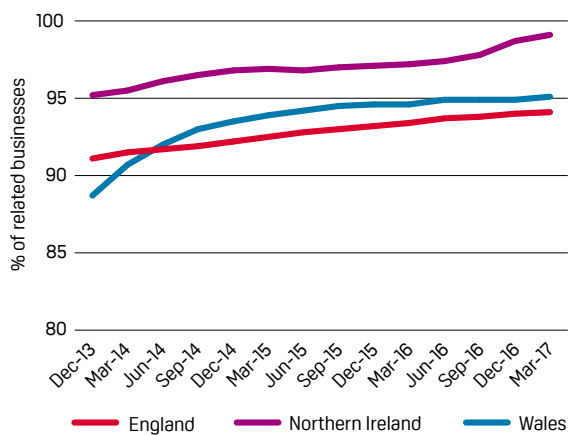




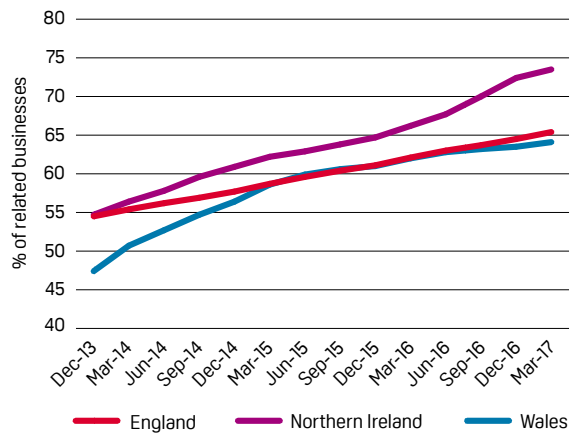
### Northern Ireland



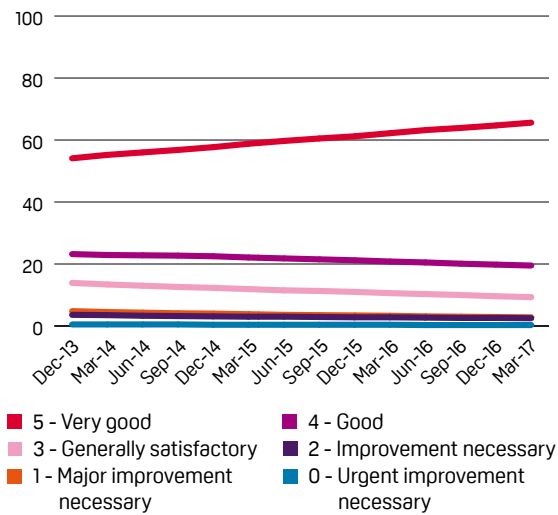
### Percent of FHR Ratings 3 and above



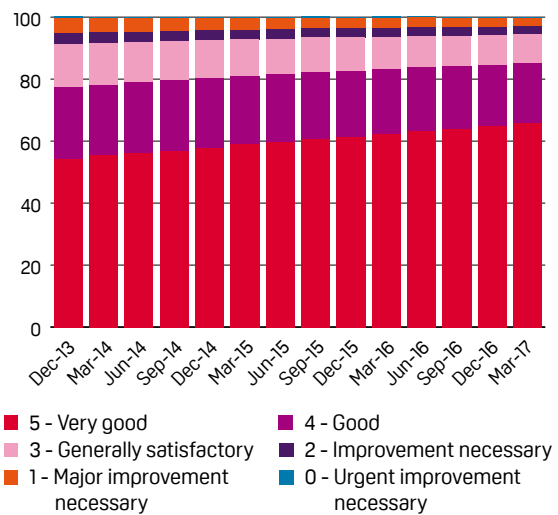
### Percent of FHR 5 Ratings



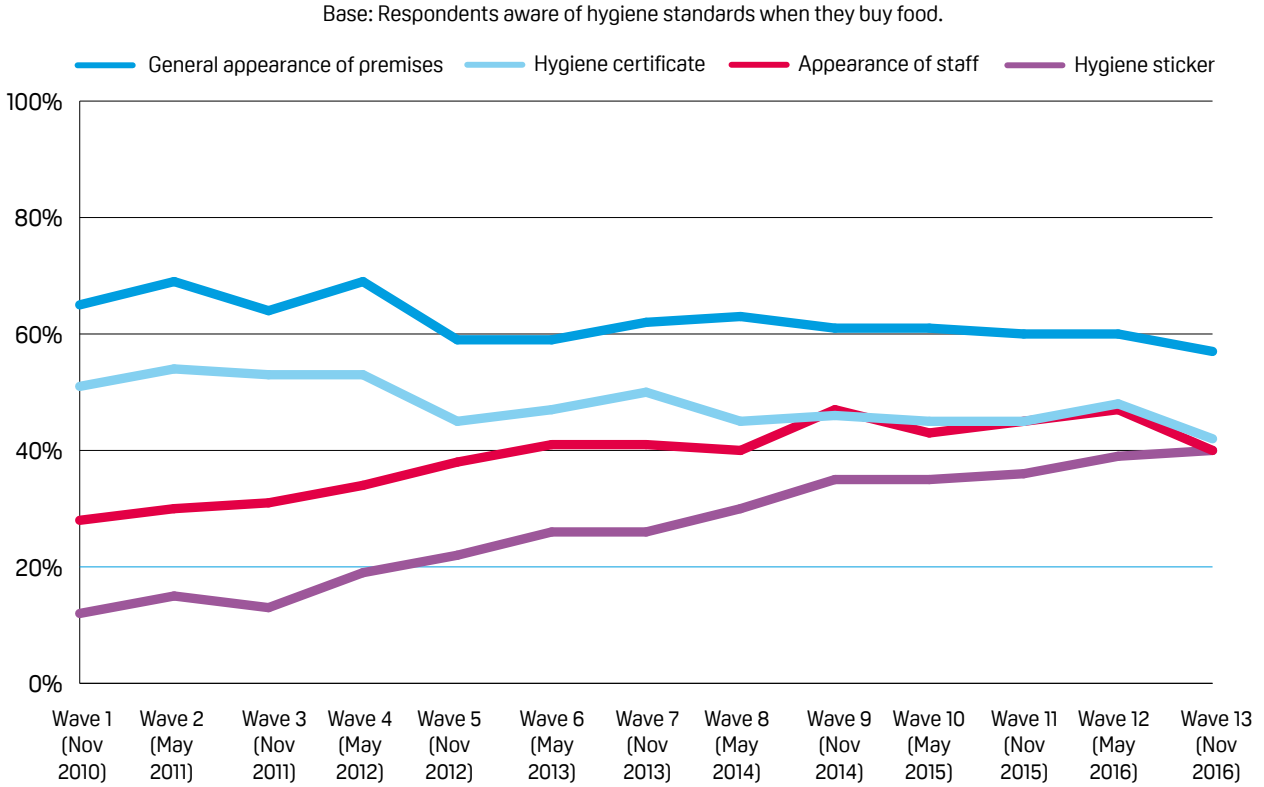
### Percent of FHR Ratings – all countries



### Percent distribution of FHR ratings

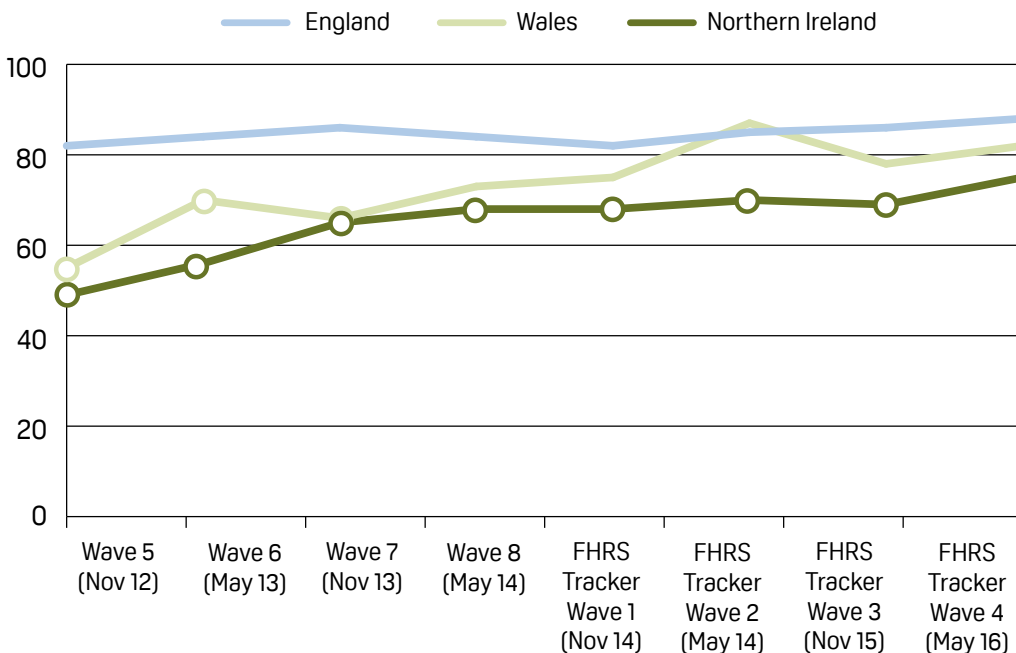


As well as FHRs being successful in terms of business ratings, consumer awareness data shows that the FHRs sticker, as a measure of food hygiene standards for consumers, has increased from 12% to 40% since November 2010. This means that consumers are now more aware of businesses that are safe and hygienic.



The graph below shows changes in reported recognition of FHRs stickers over time, broken by recognition in Wales, Northern Ireland and England.

Note: circles on the graph indicate where there are significant changes to the most recent wave.  
Source: FHRs Tracker Wave 4



## Food and You Survey, Wave 4<sup>20</sup>

Food and You is the FSA's flagship consumer survey. It is a biennial, random probability survey, with previous waves conducted in 2010, 2012, and 2014. Wave 4 (2016) of the survey continues some of the same question areas as the previous surveys and also includes new sections on wider food issues of concern.

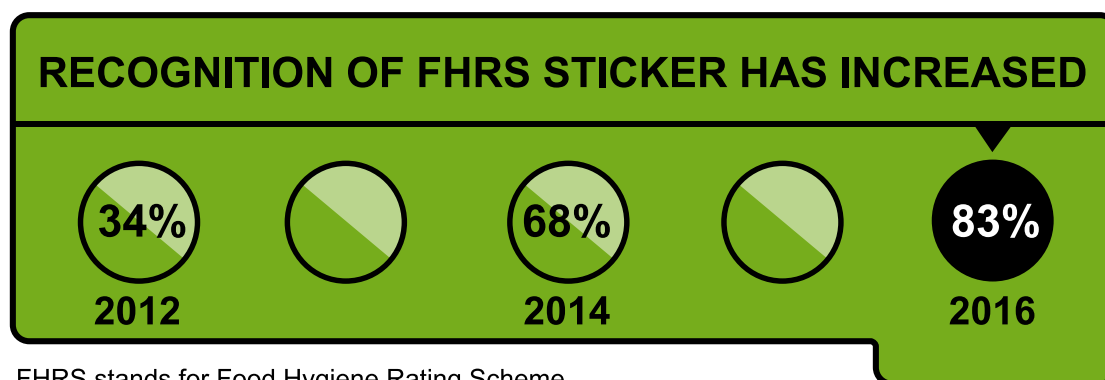
The Food and You consumer survey collects information from the public about reported behaviours, attitudes and knowledge relating to food safety and food issues. This involves food purchasing, storage, preparation, consumption and factors that may affect these. Previously the survey was UK wide; this Wave, the survey provides data for England, Wales and Northern Ireland. Since 2014, results from Food and You have each been published as an Official Statistic, reflecting the robust methodology of the survey.

The specific objectives of Food and You Wave 4 were to:

- Explore public understanding of, and engagement with, the FSA's aim of improving food safety.
- Identify specific target groups for future interventions (eg those most at risk or those among whom FSA policies and initiatives are likely to have the greatest impact).
- Describe the public attitudes towards food production and the food system.
- Monitor changes over time (compared with data from Waves 1 to 3 or from other sources) of reported attitudes and behaviour.
- Broaden the evidence base and develop indicators to assess progress in fulfilling the FSA's strategic plans, aims and targets.

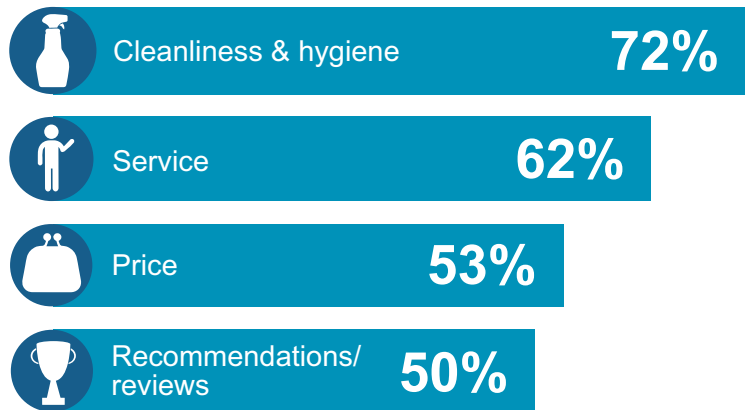
Wave 4 (2016), consisted of 3,118 interviews across England, Wales and Northern Ireland, conducted from May to September 2016, among a representative sample of adults aged 16 and over. Individual reports have been produced for Wales and Northern Ireland. The Northern Ireland report also includes a section on healthy eating. This Wave, the final chapter of the report on food provenance has been co-funded by Defra.

The report published some very informative and positive performance headlines for the FSA; for example, the data showed a significant 49% increase of FHRs sticker awareness since 2012 and the results from Wave 4 indicated that recognition of the FHRs sticker was higher in Wales (89%) and Northern Ireland (89%) than in England (82%):



<sup>20</sup> [www.food.gov.uk/science/research-reports/ssresearch/foodandyou](http://www.food.gov.uk/science/research-reports/ssresearch/foodandyou)

This data shows the factors which influence where members of the public decide to eat out. These statistics represent a direct correlation between what the public considers as its most important factor when eating out, hygiene, and what the FSA has focused resource on, FHRS. We are actively supporting and promoting what is vital to citizens.



The following infographic explains the importance of this data further, by detailing the percentage figures of consumers eating out in the last month. Given the high numbers of consumers choosing to eat out at a restaurant, in a café or coffee shop or ordering takeaway food, the FSA's work on delivering high hygiene standards in these environments is having a direct and positive impact on citizens.

### Eating out in the last month



**67%**  
had eaten at a  
**restaurant**



**55%**  
had eaten  
**takeaway food**



**41%**  
had eaten in a  
**café or coffee shop**

## DELIVERY

- A restructure of the communications function.
- A core narrative developed and agreed for the FSA.

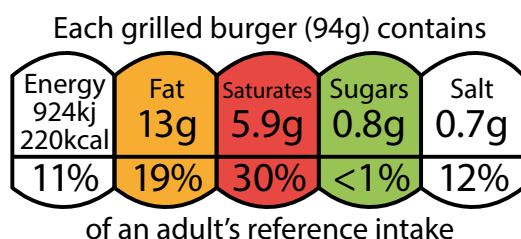
### Other significant activity included:

#### Rare burgers

- FSA research shows that there are many people who prefer or choose to eat a burger that's pink in the middle or 'medium'. But, there can be a risk which comes with this choice. Harmful bacteria, such as salmonella and certain types of E.coli, can cause serious food poisoning with symptoms such as feeling sick, vomiting, bloody diarrhoea, stomach cramps and abdominal pain through to much more serious, sometimes life-threatening illness. The FSA ran communications activities to address this risky behaviour and for people to understand that a burger cooked at home - on the barbecue or grill – needs to be cooked until steaming hot throughout, with no pink meat in the middle and the juices run clear and to realise that a rare burger, however expensive the meat, is not safe and an understanding of why this is so.
- The FSA launched a programme of communications activity to coincide with National Burger Day and the August bank holiday weekend. Our tracking research saw a slight increase in those who recalled seeing information on this issue, but no increase in knowledge or behaviours.

#### Nutrition labelling<sup>21</sup>

- Revised front-of-pack nutrition labelling guidance was published in Northern Ireland in November 2016 to include additional consumer messaging. The guidance was developed and revised by the Department of Health, the Food Standards Agency and devolved administrations in Scotland, Northern Ireland and Wales in collaboration with the British Retail Consortium and helps businesses design front-of-pack labelling for their products.
- The front of pack label is designed to help consumers see at a glance what is in their food and is colour-coded red, amber and green. The label also highlights 'percentage reference intakes' to show how much fat, saturated fat, salt, sugars and energy is in a food product.
- While the colours provide at a glance information, the % recommended intake (RI) information gives a little more detail about how much of an average adult's daily intake limit of each nutrient is in a portion and will help you put it in the context of a healthy balanced diet. For example, 50% RI of salt means that the serving contains half of an average adult's maximum daily intake for salt and so you should try to choose options lower in salt for the rest of the day.



Typical values (as sold) per 100g: energy 966kj/230kcal

<sup>21</sup> [www.food.gov.uk/northern-ireland/nutritionni/fop-ni](http://www.food.gov.uk/northern-ireland/nutritionni/fop-ni)

## Food Product Improvement

Following the publication of ‘Childhood Obesity: A Plan for Action’, Public Health England (PHE) is shaping a programme of work focusing initially but not limited to sugar and calorie reduction in nine food categories that contribute most to the sugar in children’s diets. All four administrations including the FSA are members of the PHE facilitated working group to consider governance and progression of this programme.

In Northern Ireland the FSA is implementing a targeted approach for a Food Product Improvement programme with SMEs. This approach will complement and add value to the PHE programme of work and the UK’s ambition to publish knowledge to help them offer healthier food choices for their customers. Alignment with the RoI Obesity action Plan 2016-2025 will also be possible through the RoI’s Reformulation Working Group.

The approach for food product improvement with SMEs in NI will be in line with the three identified PHE priorities for sugar reduction:

- Reduction in sugar content per 100g of product
- Reduction in portion size
- Shift in product portfolio towards lower sugar varieties

Nutrition surveillance data confirms that the same categories identified by PHE contribute the most sugar to the diets of NI consumers. To reach the majority of consumers, in particular children and those from lower socio-economic groups, high volume mainstream products will be targeted for food product improvement that are consumed by the majority of people on a frequent basis.

## MenuCal<sup>22</sup>

Key features include:

MenuCal is a free online tool to help food businesses manage allergen information and calculate calories in the food they serve. It supports the government strategy to create 'A Fitter Future for All', tackling overweight and obesity issues in Northern Ireland. MenuCal can help food businesses comply with legislation on the 14 main allergen ingredients in food, and provides retailers with the knowledge to help them offer healthier food choices for their customers.

- simple and free to use
- includes training and user demos
- stores information safely and securely
- confidential for user
- can be tailored to suit each business
- can be used on a web-enabled mobile device
- printable documents

## Consumer engagement in Wales

In Wales the FSA has participated in a number of public events aimed at providing key food safety messages to consumers. The FSA in Wales has had a presence at key public events including the Eisteddfodau, the Royal Welsh Agricultural show, the Pembrokeshire county show and a number of community events. The FSA in Wales has also supported a school-based workshop educational programme.

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<sup>22</sup> [www.food.gov.uk/northern-ireland/nutritionni/menucal](http://www.food.gov.uk/northern-ireland/nutritionni/menucal)

## OVERALL OBJECTIVE

Implementing our regulatory strategy through aligning incentives for businesses to ensure consumers' interests are protected

IMPLEMENTING OUR  
REGULATORY  
STRATEGY

Key initiatives in this area include:

## REGULATING OUR FUTURE



### Overall objective:

To develop and implement a new and sustainable approach to regulation that leverages business behaviour change to deliver benefits for consumers. Building and applying effectively a regulatory toolkit that ensures a long term sustainable delivery approach to regulating food, including the development of complementary or alternative delivery models – including their sustainable funding – for meat.

### Objectives for 2016/17:

- Develop through engagement and collaboration future model for regulating food.
- Implement a process to deliver programme scope and plan.
- Identify and pilot projects, test and rollout where appropriate.
- Identify near-term changes to the Food Law Code of Practice that could alleviate pressures on local authority delivery.



**Progress summary:**

The FSA has been working with industry and stakeholders to develop a new system of regulation in England, Northern Ireland and Wales that will keep pace with global food changes and work better for everyone. It is setting the standards by which food businesses operate, and make use of new technology and the data businesses collect from their own audits and checks so inspectors can see what's happening every day, not just on inspection day. We have established a clear

governance structure for the programme, which includes engagement with industry, local authorities, and consumers.

**IMPROVE THE INSPECTION MODEL FOR MEAT****Objectives for 2016/17:**

Through our work on the delivery landscape for meat we want to exploit smarter ways of working and use of technology, ensuring that our official controls for meat are risk based, targeted and cost no more than they should; and to increase our effectiveness and the value for money provided through our official controls, as well as contributing to the development of a more sustainable funding model.

**Progress summary:**

A new system to improve slaughterhouse hygiene verification was developed; a pilot approach was proposed and work with industry on the future model was undertaken. Stow 1 was launched (covering meat official controls discount reform) and planning for Stow 2 (developing a sustainable funding model for meat official controls) was completed.

**PERFORMANCE****Improve the inspection model for meat**

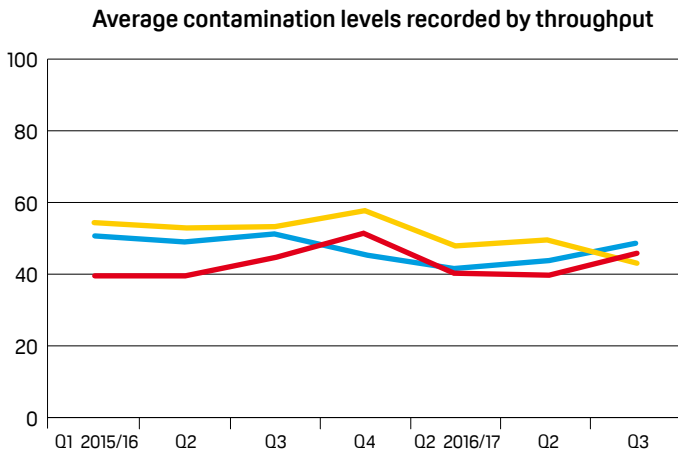
An important function for FSA inspectors is to inspect carcasses and offal at post-mortem inspection. At slaughterhouses in England and Wales, as part of our qualitative performance monitoring, an Official Veterinarian (OV) will check a sample of carcasses and offal that have been health marked (or inspected, in the case of poultry). In Northern Ireland, post-mortem inspection is carried out by Official Auxiliaries from the Department of Agriculture, Environment and Rural Affairs (DAERA) Veterinary Public Health Programme, accuracy is verified on a daily basis by DAERA OVs or Senior Meat Inspectors.

| Dec 2016                     | Cattle | Sheep/Goats | Pigs   | Poultry |
|------------------------------|--------|-------------|--------|---------|
| Average Carcase Accuracy (%) | 99.8   | 99.3        | 99.8   | 99.6    |
| Number of Carcase Checked    | 13,679 | 24,965      | 14,451 | 352,135 |
| Average Offal Accuracy (%)   | 99.9   | 99.9        | 100    |         |
| Number of Offal Checked      | 13,323 | 24,857      | 13,675 |         |

**Management guidelines for accuracy of Post Mortem Inspection**

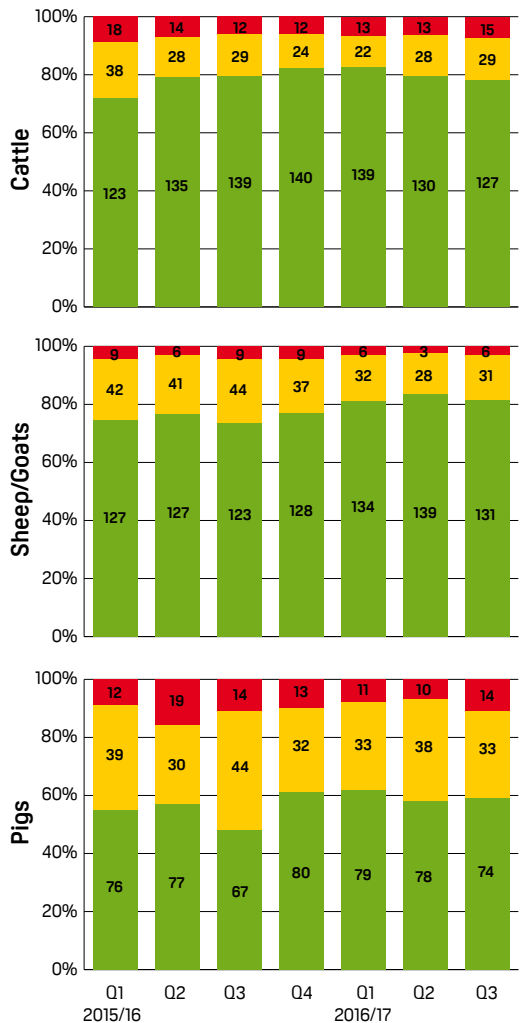
|      |      |
|------|------|
| ≥98% | <98% |
|------|------|

Average carcass compliance levels in England and Wales following post-mortem inspection verification checks are used as a measure of how well a food business operator’s food safety management controls have worked. Where contamination is observed, the food business operator has to take rectification before meat may pass into the food chain. Traffic light banding is used to direct FSA inspection resource to those food business operators who are least compliant. There is no acceptable level of contamination.



| Contamination levels |     |      |      |
|----------------------|-----|------|------|
| Cattle               | <6% | <10% | 10%+ |
| Sheep/Goats          | <6% | <10% | 10%+ |
| Pigs                 | <3% | <6%  | 6%+  |

**Contamination level recorded by establishment**



## DELIVERY

### Regulating Our Future (ROF)

We held discussion forums with SMEs, local authorities and Primary Authorities to help inform development of the Target Operating Model (TOM). The SME business community had the opportunity to engage with FSA and local authority representatives, while local authorities explored opportunities for feasibility studies for new ways of working with businesses to ensure compliance. The event with Primary Authorities and their partner businesses was supported by and delivered in partnership with colleagues from Department of Business, Energy and Industrial Strategy (BEIS), which has responsibility for the operation of the Primary Authority Scheme.

The Industry and Professions Expert Advisory Groups have been established to provide informed advice and guidance to the FSA. They have met three times since September to provide views on initial thinking around a range of issues including, permit to trade and assurance.

Work is underway on the Target Operating Model (TOM) which will underpin the new model. A framework of standards that will ensure it is capable of consistent delivery of outcomes and ultimately that food is safe and what it says it is.

We have carried out feasibility studies with Tesco and Mitchells & Butlers to explore opportunities for the use of industry data in assurance models. These were successfully completed on schedule and the findings have been published. From September to December 2016, the FSA worked with Tesco, Mitchells & Butlers, and their audit providers, together with volunteer local authorities, to test the companies' own assurance data against the strict food safety requirements which local authorities use to check food businesses are complying with the law.

Anticipating, planning for and delivering on the consequences of the UK exiting the EU is also a key corporate priority for the FSA. The ROF programme is working closely with colleagues leading on the preparations for exit to ensure that the new delivery model is consistent with those preparations.

### Improving the inspection model for meat

- We developed a new system to improve slaughterhouse hygiene verification.
- A pilot approach was proposed for qualitative recording on verification checks in abattoirs.
- We worked with industry colleagues on recommendations for what the future model should look like.

### Animal welfare<sup>23</sup>

The FSA introduced a systemic approach to deliver the 'Deter, Prevent, Detect, Enforce' animal welfare agenda. It committed to a zero tolerance approach to animal welfare breaches. The FSA Board concluded that the case for mandatory CCTV in slaughterhouses was made. We have mobilised a welfare assurance team to drive improved compliance, strengthened animal welfare measures in the new performance management framework for the new veterinary services contract. Worked with industry to develop a joint protocol on use of CCTV footage in slaughterhouses and put in place dedicated management and governance arrangements

<sup>23</sup> [www.food.gov.uk/sites/default/files/fsa160904.pdf](http://www.food.gov.uk/sites/default/files/fsa160904.pdf)

to ensure the timely and effective delivery of all commitments in our animal welfare programme, 'Deter, Prevent, Detect, Enforce'.

### **Stow Project: sustainable funding model<sup>24</sup>**

The steering group on meat charging started its work to develop a new system of discounts on charges for meat official controls in August 2013. (Some FSA 'official controls' services in approved meat premises are charged to food business operators.)

The steering group comprised meat industry stakeholders meeting under Bill Stow, as its independent chair, and supported by the FSA. The industry proposals for reform were subject to full public consultation in 2015. Following submission of the final proposals to the Government's Reducing Regulation Committee and Regulatory Policy Committee they were approved for implementation which took place with effect from the start of 2016/17. The new system of discounts is consistent and more equitable than the previous one.

In parallel with the closing stages of the Stow 1 Project another project was initiated to develop a sustainable funding model for meat official controls. The Stow 2 Project again saw industry stakeholders taking a lead in developing proposals for a system of charging.

As work progressed during 2016 that changes in the external environment had fundamentally affected the work of the steering group. The result of the June 2016 referendum and the decision to exit the EU created a different dynamic. This led the steering group to conclude that its work on a sustainable funding model should be suspended until the system of official controls after the UK's exit from the EU had been established. This position was endorsed by the FSA Board at its March 2017 meeting.

### **Meat control contract**

The FSA awarded Eville and Jones (UK) Ltd a two-year contract from the end of March 2017 to support FSA Official Meat Control services following a competitive tendering process.

The tendered service, valued at £43.4m over two years, will be instrumental in ensuring food is safe and that animal welfare is protected in meat establishments, helping the Agency meet European Union and domestic standards.



Eville and Jones (UK) Ltd was appointed after a tender exercise against various technical and financial criteria. The Leeds-based company will provide Official Veterinarians and Meat Hygiene Inspectors, working alongside FSA staff across England and Wales.

The official meat controls are vital in maintaining the public's confidence in the meat industry, particularly after BSE and the horse meat issue. The controls are an essential requirement for the UK meat industry because without them, the industry would not be allowed to sell or export meat worth £7.3 billion per year.<sup>25</sup>

<sup>24</sup> [www.food.gov.uk/sites/default/files/fsa160307.pdf](http://www.food.gov.uk/sites/default/files/fsa160307.pdf)

<sup>25</sup> [www.food.gov.uk/news-updates/news/2017/15905/successful-tender-for-official-meat-controls](http://www.food.gov.uk/news-updates/news/2017/15905/successful-tender-for-official-meat-controls)

## OVERALL OBJECTIVE

Leveraging great impact from small resources

.....  
 BEING THE BEST  
 ORGANISATION  
 WE CAN BE  
 .....

Key initiatives in this area include:

### OUR WAYS OF WORKING PROGRAMME (OWOW)

#### Overall objective:

To build a vibrant, progressive, learning organisation that attracts and retains the best staff who are engaged, motivated to deliver, collaborative and well led.

#### Objectives for 2016/17:

- Continue to improve staff engagement results to be on par with Civil Service High Performing Units in People Survey 2016.
- Finalise the future proposition for the People Offer and physical spaces.
- Provide the support, development and tools for people to embrace new ways of working.

#### Progress summary:

The FSA had a very high response rate of 84.9% to this year's survey. Staff engagement score has dropped slightly from 60% to 58% although remains much better than 2013 and 2014 score. The People Offer was launched, as planned, in March 2017 and phase 1 staff are currently trialling new working contracts. Work is underway to make adjustments to Foss House (York) and notice has been served on Aviation House (London). Several staff engagement sessions have been run by senior FSA leaders to support staff during OWOW transitions and Evolve IT has made good progress towards providing the necessary support and infrastructure to make OWOW work.

### BECOMING A DATA-DRIVEN ORGANISATION

#### Overall objective:

The FSA has access to the data it needs to be effective across all strategic priorities and makes full use of this data.

#### Objectives for 2016/17

- Implement a process to deliver 'open by default' and evaluate effectiveness throughout the reporting period.
- Develop a data strategy.
- Identify pilot projects, testing and roll-out where appropriate.

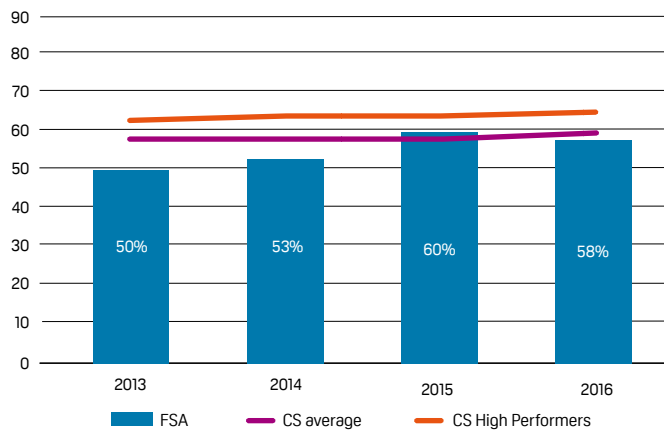
**Progress summary:**

Openness and transparency are central to the FSA’s strategic plan and the FSA continued its work to become a data-driven organisation. We aimed to publish 95% of all our datasets. We published 174 out of 274 (64%). When publication work began, we identified several more datasets that needed to be published which affected our ability to meet our aspirational target. We have enhanced understanding of the assets appropriate for publication and we are improving the attainment of open data standards and repeat publication, whilst maintaining the % publication.

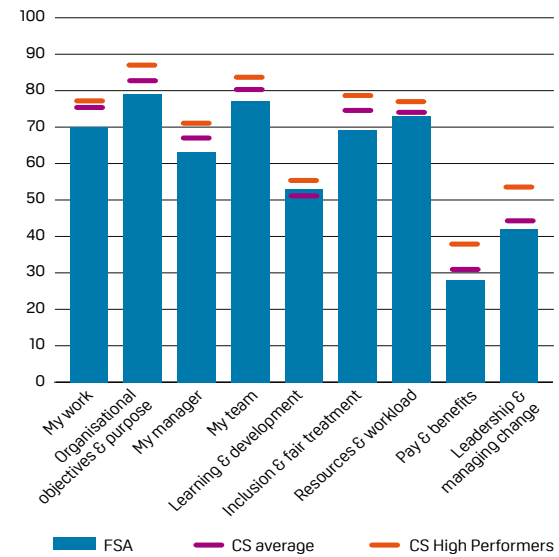
**PERFORMANCE**

We are using the People Survey scores for Civil Service High Performer (CSHP) as a benchmark of high engagement, but testing and prioritising activity as a result of this survey against our strategic priorities and existing programmes to ensure consistent messaging. The Corporate People Survey Action Plan for 2017 has been launched and will focus on making improvements in two key areas: leading and managing change and developing and growing our management capability.

**Overall Engagement Index**



**2016 Theme Scores**



The FSA had a very strong 89.4% response rate to the 2016 survey, which was well above the Civil Service (CS) response rate of 65%. We exceeded the CS average in Learning and Development and were close to the CS for Leadership and Managing Change and Resources and Workload. Our engagement index was 58%, slightly down on the 60% we achieved in 2015 - one point behind the CS, and six points behind the high performers – where we are aiming to be. Our scores were, however, an improvement on 2014.

The FSA’s Executive Management Team agreed a corporate action plan to make strong improvements in the areas of leading and managing change and developing and growing our management capability. The FSA will fully embed the new change framework and guidance; senior leaders will be more visible through interactive sessions, explaining priorities and

celebrating success and we will focus our efforts on further developing first line management skills and capability.

## **Our Ways of Working (OWOW)**

The OWOW programme was established to create an environment in which our people are highly capable, effectively supported and engaged with our mission – food we can trust – so that they consistently choose to make outstanding contributions to protecting, informing and empowering consumers. The primary aim of the programme is to create a vibrant organisation that attracts and retains the best staff, each of whom is engaged, highly motivated to deliver, innovative, collaborative, well lead and supported with the right tools. This is being delivered via complementary workstreams covering organisational development, personal development and physical spaces.

Phase one of the programme ran from spring 2015 until summer 2016 and largely focused on defining deliverables, working closely with staff to understand the changes required, high level design of three new employment contract types (home working, multi-location, plant/office based) and delivery of a trial phase to highlight any potential concerns or issues that would need to be overcome.

Phase two was launched in March 2017 and this entailed the People Offer, an integral part of the OWOW programme, giving staff the opportunity to choose a way of working that will help them to excel while ensuring better work life balance. Staff will now work closely with their managers to choose the best contract to suit them and their work. Whilst the aim is to provide staff with flexibility to choose the contract type that best suits them, business need will be the overriding consideration. Due to the location specific nature of their work, meat inspection staff will continue to be on a plant-based contract but work is underway to identify how some of the principles of OWOW can also benefit this group of staff.

## **Physical spaces**

Following instruction from the Government Property Unit (GPU), the FSA has exercised the February 2018 break clause on our current London office premises, Aviation House in Holborn. Work has been underway to both exit Aviation House and find a new suitable office space in London within the government estate. High level criteria for the move have been agreed and the FSA has been working closely with GPU to source efficient and cost effective premises that meet the need of our staff.

In addition, work has been underway to redesign the office space in our York office, Foss House, to ensure that it embodies OWOW principles. Staff consultations took place in January 2017 and it is anticipated that the refurbishment works will be completed October 2017. Discussions are currently ongoing with the Government Property Unit in relation to the Cardiff office premises in Southgate House.

## **Evolve IT**

To achieve the OWOW vision, it is extremely important that the correct IT infrastructure and support are in place. In 2016, the FSA implemented delivery of a new IT strategy and associated refresh of the IT estate via the Evolve IT programme.

The first phase mobilisation of the IT Evolve programme was completed at the end of August 2016; a programme board was established and a mandate letter agreed. The programme

underwent two gateway reviews in December 2016 and February 2017 and following the principle of user centric design, user research was undertaken over a period of four months. The aim of the research was to understand the priority user needs to be addressed to support FSA staff to be more productive, taking into account the changes in location and staff working contracts under the OWOW programme. The discovery and design builds on the mobilisation phase were completed on 31 March 2017.

The FSA issued the Notice of Termination to Capita; this was the first stage in the FSA’s cessation of Capita IT support as from 31 January 2018, the FSA will own and control the design of its technology enabling an agile approach to the delivery of change.

**Open data**

The overall objective for our work to become a data-driven organisation is that the FSA will have access to the data it needs to be effective across all the strategic priorities, and makes full use of this data. The FSA took the first steps in that direction in 2016/17.

Open data is data that everyone can access, use and share. One of the FSA’s objectives is to become a data-driven organisation that uses data that is ‘open by default’. Using open data is one of the ways that the FSA will achieve its commitment in the strategic plan of making information available to consumers in a way that is accessible.

In January, the Agency Board adopted ‘open by default’ – in line with other departments a commitment to publish Agency data for all to use where there is no good reason not to. Following this, the Agency has adopted a target of 95% of all data assets to be published as open data. As a government department with transparency at its core, this is an area where the Agency has lots of ambition.

The FSA’s open data catalogue: <https://data.food.gov.uk/catalog>

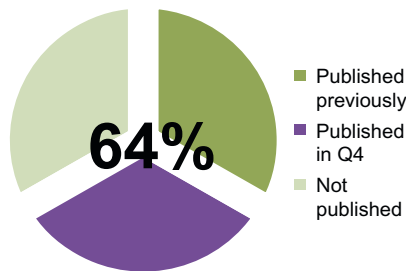
**Our open data journey so far...**

**174**

**datasets published (out of 274)**

**Target: 95% of datasets to be published as open data by the end of 2016/17**

**=**



**... of which in 2016/17 Q4**

**82**

**data sets were published**

**The percentage of datasets published has risen from 34% at the end of quarter 3 to 64% at the end of quarter 4**

**The FSA’s average openness rating:** ★☆☆☆☆

Datasets are given an ‘openness rating’ to give a simple indication of how well the dataset has been made open. The criteria are based on the Five Stars of Openness developed by Tim Berners-Lee. 7% of published datasets have an Openness Rating of 3 or higher. We are aiming for 3 stars.



The 95% target was set high to demonstrate that the FSA aspired to make as much of its data open as possible; it was set to be a stretching target.

The star rating scale is a qualitative measure. At three stars data becomes much more usable by others. To enable a score of 4 or 5 stars, it becomes a requirement to produce linked data which exists within the web, requires specialist knowledge and usually means paying for a third party to build and maintain it, therefore achieving more than three stars for the majority of FSA data publications is not reasonably achievable.

The FSA Board agreed to progressively improve the data that is published and move from 1 to 3 stars.

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## DELIVERY

### Our Ways of Working

- Completed 'give it a go' and consultation outputs.
- Developed the financial case for the complete business case.
- Developed a phase 2 programme plan.
- Agreed the final People Offer with supporting guidance and policies in place.
- Analysed People Survey scores.
- Decision made to break the clause on Aviation House.
- Accommodation search completed.

### Becoming a data-driven organisation

- The data strategy was developed and approved by the Executive Management Team.
- Stakeholder engagement events were held in July (external) and September (internal).
- Published outcomes of first completed pilot and work undertaken to identify two further pilots.
- Developed a map of the food ecosystem linked in to Regulating Our Future programme.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

This information is reported as part of the FSA Governance Statement 2016/17 on page 67.

## **WHISTLEBLOWING ARRANGEMENTS**

This information is reported as part of the FSA Governance Statement 2016/17 on page 67.

# PERFORMANCE ANALYSIS

## FORMAL ENFORCEMENT ACTION

In accordance with the requirements of the Food Standards Act 1999, we report each year on enforcement action taken.

Statutory notices may be served for failures in hygiene, unsatisfactory structural matters, to stop the use of particular types of equipment, to impose conditions on the meat production process, to close down the operation completely, or to stop a particular practice that contravenes the hygiene provisions of the legislation. Statutory notices must accurately reflect the non-compliance, refer correctly to the relevant legislation, and be clearly legible and unambiguous, to be legally valid.

### England and Wales: formal and informal enforcement action taken during 2016/17

| Formal action   | Number of notices<br>1 April 2015 to<br>31 March 2016 | Number of notices<br>1 April 2016 to<br>31 March 2017 |
|---|---|---|
| <b>Hygiene Emergency Prohibition Notice</b> , served under the Food Hygiene (England) (Wales) Regulations 2006, giving a food business operator a day's notice of the intention to apply to a court for the granting of a <b>Hygiene Emergency Prohibition Order</b> which would result in an immediate cessation of business | Nil   | Nil   |
| <b>Hygiene Improvement Notice</b> served under the Food Hygiene (England) (Wales) Regulations 2006  | 168   | 198   |
| <b>Remedial Action Notice</b> served under the Food Hygiene (England) (Wales) Regulations 2006  | 113   | 166   |

| Informal action | Number of<br>warnings notices<br>1 April 2015 to<br>31 March 2016 | Number of<br>warnings<br>1 April 2016 to<br>31 March 2017 |
|-----------------|---|---|
| Written warning | 1,766   | 2,567   |

The increase in the number of notices issued from 2015/16 to 2016/17 is mainly due to our focus on animal welfare. Our ongoing programme to 'Deter, Prevent, Detect and Enforce' animal welfare breaches has improved consistency of reporting in this area.

## Northern Ireland: formal and informal enforcement action taken during 2016/17

| Formal action  | Number of notices<br>1 April 2015 to<br>31 March 2016 | Number of notices<br>1 April 2016 to<br>31 March 2017 |
|--|---|---|
| <b>Hygiene Emergency Prohibition Notice</b> , served under the Food Hygiene (Northern Ireland) Regulations 2006, giving a food business operator a day's notice of the intention to apply to a court for the granting of a <b>Hygiene Emergency Prohibition Order</b> which would result in an immediate cessation of business | Nil   | Nil   |
| <b>Hygiene Improvement Notice</b> served under the Food Hygiene (Northern Ireland) Regulations 2006  | 11  | 7   |
| <b>Remedial Action Notice</b> served under the Food Hygiene (Northern Ireland) Regulations 2006  | 9   | 2   |

| Informal action | Number of<br>warnings notices<br>1 April 2015 to<br>31 March 2016 | Number of<br>warnings<br>1 April 2016 to<br>31 March 2017 |
|-----------------|---|---|
| Written warning | 52  | 24  |

The continued downward trend in formal and informal enforcement actions is largely as a result of improved compliance levels by food business operators.

## Prosecutions in England and Wales

Following an investigation referral and full criminal investigation, prosecutions of offences committed at approved premises can be taken by the relevant enforcement authority. In England and Wales, prosecutions are taken by the FSA except in relation to animal welfare, animal by-products and some transmissible spongiform encephalopathy (TSE) cases where the Crown Prosecution Service acting on behalf of the Department for Environment, Food & Rural Affairs or the Welsh Government is the prosecuting authority. In 2016/17, the FSA Criminal Investigation Branch accepted 97 referrals from Operations Directorate for investigation with a view to prosecution.

The timescales for prosecutions mean that it is rare for a case to progress from referral to a final court hearing within the same reporting year. Therefore, many of the cases referred for investigation in 2016/17 have yet to be concluded.

During the course of 2016/17, 16 cases investigated by the FSA were concluded at court with 13 convictions secured. A further 6 cases are currently being prosecuted.

There were 58 recorded investigation referrals in England and Wales during 2015/16. The outcomes of current status of those referrals are as follows:

| Outcomes/current status       | Number of referrals |
|-------------------------------|---------------------|
| Convictions                   | 5                   |
| Warning letters issued        | 2                   |
| Ongoing prosecutions in court | 5                   |
| No prosecution taken          | 46                  |

## COMPLAINTS INCLUDING THOSE MADE TO THE PARLIAMENTARY AND HEALTH SERVICE OMBUDSMAN

Complaints to the Parliamentary and Health Service Ombudsman (PHSO) from members of the public must be made via an MP.

During 2016, one complaint was accepted for investigation by the PHSO. As a result of the investigation it was concluded that the FSA had acted correctly and appropriately in line with legislation. There was no evidence of maladministration and the complaint was not upheld.

The FSA aims to resolve all complaints quickly and as close as possible to the point of service. Complaints are therefore handled initially at a local service level. If, however, a complainant is not satisfied by a local response, they can refer their complaint, using the FSA's two-stage complaints process. Information on our complaint handling process can be found on the FSA website: [www.food.gov.uk/about-us/fsacomplaintsprocedure](http://www.food.gov.uk/about-us/fsacomplaintsprocedure)

The FSA will always seek to learn from complaints and address any issues identified through the complaints process. During 2016, this included providing refresher training to staff as well as making changes to the management of contract performance.

The FSA received three complaints from members of the public or food businesses during 2016 at stage two of the process. Of these complaints, none were upheld in full, two were partially upheld and one was not upheld. One complaint originally submitted in 2015 was referred to stage two, which is a review by the FSA Chief Executive. This case was partially upheld.

## COMPARISON OF OUTTURN AGAINST ESTIMATE

### Resource spend in 2016/17

The comparison of actual resource expenditure to estimate is shown below:

|                              | 2016/17      |                      |
|------------------------------|--------------|----------------------|
|                              | Estimate     | Net resource outturn |
|                              | £m           | £m                   |
| Total Westminster funded FSA | 88.4         | 80.2                 |
| FSA in Wales                 | 3.5          | 3.4                  |
| FSA in Northern Ireland      | 8.1          | 8.2                  |
| Total FSA                    | <b>100.0</b> | <b>91.8</b>          |

The comparative figures for 2015/16 are shown below:

|                              | 2015/16      |                      |
|------------------------------|--------------|----------------------|
|                              | Estimate     | Net resource outturn |
|                              | £m           | £m                   |
| Total Westminster Funded FSA | 93.1         | 83.1                 |
| FSA in Wales                 | 3.4          | 3.3                  |
| FSA in Northern Ireland      | 8.6          | 8.4                  |
| Total FSA                    | <b>105.1</b> | <b>94.8</b>          |

The net cost of the FSA was £91.8m against available funding of £100.0m to 31 March 2017.

Total net expenditure was 8.2% lower than estimate by £8.2m. The Westminster funded saving of £8m is largely due to a £7.2m saving on annually managed expenditure (AME), mainly through built in capacity for pension provision volatility, allowing for wide variations in actuarial assumptions.

## RECONCILIATION OF RESOURCE EXPENDITURE BETWEEN ESTIMATES, ACCOUNTS AND BUDGETS (WESTMINSTER ONLY)

The comparison of actual resource expenditure to estimate is shown below:

|  | £000<br>2015/16 | £000<br>2016/17 |
|--|-----------------|-----------------|
| <b>Net resource outturn (estimates)</b>                                  | <b>83,104</b>   | <b>80,232</b>   |
| <i>Adjustments to remove:</i>  |                 |                 |
| <i>Provision voted for earlier years</i>                                 | –               | –               |
| <i>Adjustments to additionally include:</i>                              |                 |                 |
| <i>Non-voted expenditure in the OCS</i>                                  | –               | –               |
| <i>Consolidated fund extra receipts in the OCS</i>                       | –               | –               |
| <i>Reductions in planned spend unable to be included in the Estimate</i> | –               | –               |
| Other adjustments  | –               | –               |
| <b>Net operating cost (accounts)</b>                                     | <b>83,104</b>   | <b>83,781</b>   |
| <i>Adjustments to remove:</i>  |                 |                 |
| Capitalised Research & Development                                       | –               | (3,549)         |
| Capital grants to local authorities                                      | –               | –               |
| Capital grants financed from the capital modernisation fund              | –               | –               |
| European Union income and related adjustments                            | –               | –               |
| Voted expenditure outside the budget                                     | –               | –               |
| <i>Adjustments to additionally include:</i>                              |                 |                 |
| Other consolidated fund extra receipts                                   | –               | –               |
| Resource consumption of non-departmental public bodies                   | –               | –               |
| Unallocated resource provision   | –               | –               |
| Other adjustments  | –               | –               |
| <b>Resource budget outturn (budget)</b>                                  | <b>83,104</b>   | <b>80,232</b>   |
| <i>of which</i>  |                 |                 |
| Departmental expenditure limits (DEL)                                    | 82,609          | 78,069          |
| Annually managed expenditure (AME)                                       | 495             | 2,163           |

## SUSTAINABILITY REPORTS

During 2016/17, FSA has made significant progress on sustainability. The FSA has reduced its Aviation House waste carbon footprint from the 2015/16 total of 29 tonnes to 22 tonnes – a major reduction of 4 tonnes on the 26 tonnes baseline target.

The work is continuing to reduce FSA emissions at Aviation House, which has seen a reduction in energy usage and a corresponding fall in greenhouse gas emissions by 71 tonnes.




In 2016/17, the FSA has maintained CO<sub>2</sub> emissions in line with last year due to the continued focus on reducing the need to travel under a new programme of work called Our Ways Of Working (OWOW) – this has re-emphasised the continued awareness of alternatives to travel, including the use of the high definition videoconference facilities available in all of the FSA offices to hold 4-way videoconference meetings. This has removed the need to travel.



Sustainability developments will be maintained further during 2017/18 with the OWOW programme driving a reduction in the accommodation occupied in York by 45%.







The following table reports greenhouse gas emissions and related expenditure in England<sup>26</sup>

## Greenhouse gas emissions

|  | Non-financial indicators – Scope 2 (indirect) |                  |                  |                |
|--|---|------------------|------------------|----------------|
|  | 2013/14                                       | 2014/15          | 2015/16          | 2016/17        |
|  Electricity (kwh)              | 1,235,104                                     | 923,975          | 830,427          | 760,110        |
|  Gas (kwh)                      | 652,629                                       | 366,900          | 446,139          | 161,212        |
|  Total energy consumption (kwh) | <u>1,887,733</u>                              | <u>1,335,408</u> | <u>1,276,566</u> | <u>921,322</u> |

|   | Financial indicators (£) |                      |                |               |
|---|--------------------------|----------------------|----------------|---------------|
|   | 2013/14                  | 2014/15              | 2015/16        | 2016/17       |
|  Total energy expenditure                      | <u>174,446</u>           | <u>113,184</u>       | <u>111,264</u> | <u>99,605</u> |
|  Carbon Reduction Commitment (CRC) expenditure | 30,380                   | 27,840 <sup>27</sup> | 33,078         | 32,178        |

## Non-financial indicators





|  | Scope 3 <sup>28</sup> (indirect) |           |           |           |
|--|----------------------------------|-----------|-----------|-----------|
|  | 2013/14                          | 2014/15   | 2015/16   | 2016/17   |
|  Air (kilometres) | 1,275,143                        | 965,552   | 829,879   | 807,593   |
|  Air (miles)      | 791,864                          | 599,608   | 515,355   | 501,515   |
|  Road (miles)     | 2,351,905                        | 2,270,101 | 2,023,777 | 1,919,933 |
|  Rail (miles)     | 1,715,748                        | 2,400,061 | 2,269,356 | 2,234,127 |

<sup>26</sup> Data relates to FSA headquarters in England only. Data for office in York accounted for by Defra.






<sup>27</sup> The CRC Phase 1 Allowance Payment charge of £27,840 was paid in 2014/15 but was for 2013/14.

<sup>28</sup> UK wide data.

## Financial indicators (£)

|  | 2013/14            | 2014/15            | 2015/16            | 2016/17            |
|--|--------------------|--------------------|--------------------|--------------------|
|  Air  | 272,976            | 184,603            | 106,475            | 129,218            |
|  Road   | 922,527            | 873,453            | 773,250            | 731,693            |
|  Rail   | 818,145            | 877,246            | 782,271            | 797,090            |
|  Government Carbon Offsetting Facility (GCOF) expenditure | Data not available | Data not available | Data not available | Data not available |








CO<sub>2</sub>e tonnes

|  | 2013/14      | 2014/15      | 2015/16      | 2016/17      |
|--|--------------|--------------|--------------|--------------|
|  Total energy  | <u>629</u>   | <u>448</u>   | <u>424</u>   | <u>313</u>   |
|  Air  | 215          | 163          | 140          | 136          |
|  Road   | 671          | 648          | 609          | 578          |
|  Rail   | 125          | 175          | 166          | 163          |
|  Total (CO <sub>2</sub> e tonnes) Scope 2 + Scope 3 | <u>1,640</u> | <u>1,434</u> | <u>1,339</u> | <u>1,190</u> |


The following table reports waste data and related expenditure  
(we re-baselined in 2012/13 due to a new system for collecting waste)

## Waste

### Non-financial indicators (tonnes)

|  | 2013/14   | 2014/15   | 2015/16   | 2016/17   |
|--|-----------|-----------|-----------|-----------|
|  ICT waste recycled externally              | 3         | 0         | 4         | 3         |
|  ICT waste reused externally                | 0         | 0         | 0         | 0         |
|  Waste recycled externally                  | 20        | 17        | 12        | 11        |
|  Waste incinerated with energy recovery     | 14        | 16        | 12        | 8         |
|  Waste incinerated without energy recovery | 1         | 1         | 1         | 0         |
|  Waste to landfill                        | 0         | 0         | 0         | 0         |
|  Total waste                              | <u>39</u> | <u>34</u> | <u>29</u> | <u>22</u> |




### Financial indicators (£)

|   | 2013/14      | 2014/15      | 2015/16      | 2016/17      |
|---|--------------|--------------|--------------|--------------|
|  Total waste expenditure | <u>8,025</u> | <u>6,539</u> | <u>6,004</u> | <u>5,822</u> |


The following table reports water data and related expenditure

## Water

### Non-financial indicators (m<sup>3</sup>)

|  | 2013/14                                 | 2014/15                                 | 2015/16                                 | 2016/17                                 |
|--|---|---|---|---|
|  Total water consumption                                | <u>3,906</u>                            | <u>3,628</u>                            | <u>4,054</u>                            | <u>3,292</u>                            |
|  Total water consumption per full time equivalent (FTE) | <u>12</u>                               | <u>10</u>                               | <u>11</u>                               | <u>11</u>                               |
|  Benchmark  | Poor practice = > 6 m <sup>3</sup> /FTE | Poor practice = > 6 m <sup>3</sup> /FTE | Poor practice = > 6 m <sup>3</sup> /FTE | Poor practice = > 6 m <sup>3</sup> /FTE |

### Financial indicators (£)

|  | 2013/14      | 2014/15      | 2015/16      | 2016/17      |
|--|--------------|--------------|--------------|--------------|
|  Water expenditure | <u>7,197</u> | <u>8,027</u> | <u>7,743</u> | <u>7,264</u> |



**Jason Feeney**

Chief Executive and Accounting Officer

3 July 2017

# DIRECTORS' REPORT

The FSA<sup>30</sup> is a non-Ministerial Government Department. Staff are accountable through a Chief Executive to the Board, rather than directly to ministers. The Board consists of a Chair, Deputy Chair and up to 12 members. The Chair and deputy Chair are appointed by the Secretary of State for Health in agreement with health ministers in Wales and Northern Ireland. The Board is mainly appointed by the Secretary of State for Health, with one member appointed by the Welsh Health Minister and one by the Northern Ireland Health Minister.

The Board is responsible for the overall strategic direction of the FSA, ensuring that it fulfils its legal obligations so that its decisions or actions take proper account of scientific advice, the interests of consumers and other relevant factors. Day-to-day management of the FSA is delegated to officials through the Chief Executive. In addition to the FSA Board, the FSA has advisory committees, chaired by Board members, in Wales and Northern Ireland. The role of the committee in each country is to advise the Board. The Board is required by statute to take account of their advice in its work.

## DETAILS OF BOARD MEMBERS AND DIRECTORS

### The FSA Board<sup>31</sup>

| During the year, the membership of the non-executive FSA Board was: |   |
|---|---|
| Heather Hancock   | FSA Chair (from 1 April 2016)                                       |
| Tim Bennett   | Deputy Chair (until 31 March 2017)                                  |
| Dr Ruth Hussey  | Chair of the Welsh Food Advisory Committee (1 July 2016)            |
| Colm McKenna  | Chair of the Northern Ireland Advisory Committee (1 September 2016) |
| Paul Williams   | Board member (from 1 June 2016)                                     |
| Rosie Glazebrook  | Board member (from 1 April 2016)                                    |
| Stewart Houston   | Board member (from 1 June 2016)                                     |
| David Brooks  | Board member (from 1 April 2016)                                    |
| Roland Salmon   | Board member (until 31 May 2016)                                    |
| Jeff Halliwell  | Board member (until 31 May 2016)                                    |
| Henrietta Campbell  | Board member (until 31 August 2016)                                 |
| Paul Wiles  | Board member (until 31 May 2016)                                    |
| Ram Gidoomal  | Board member  |
| Heather Peck  | Board member  |
| Jim Smart   | Board member  |

<sup>30</sup> More information about our organisation and structure can be found on our website: [www.food.gov.uk/about-us/about-the-fsa](http://www.food.gov.uk/about-us/about-the-fsa)

<sup>31</sup> More information about our Board members can be found on our website: [www.food.gov.uk/about-us/how-we-work/our-board/boardmem](http://www.food.gov.uk/about-us/how-we-work/our-board/boardmem)

## Executive Management Team<sup>32</sup>

| During the year, the membership of the Executive Management Team was: |   |
|---|---|
| Catherine Brown   | Chief Executive   |
| Professor Guy Poppy   | Chief Scientific Advisor                                      |
| Jason Feeney  | Chief Operating Officer                                       |
| Rod Ainsworth   | Director of Regulatory and Legal Strategy                     |
| Chris Hitchen   | Director of Finance and Performance                           |
| Julie Pierce  | Director of Openness, Data and Digital                        |
| Steve Wearne  | Director of Policy  |
| Maria Jennings  | Director, FSA Northern Ireland and Organisational Development |
| Nina Purcell  | Director, FSA Wales and Local Delivery                        |

Catherine Brown left her role of Chief Executive and Accounting Officer on 31 March 2017. On 11 April 2017, Jason Feeney became the FSA's Chief Executive and Accounting Officer.

All senior officials have been appointed under the rules laid down by the Civil Service Commissioners. Salary and pension details of the Board and the EMT are disclosed in the Remuneration Report.

## FSA advisory committees<sup>33</sup>

During the year, the membership of the food advisory committees was:

| Northern Ireland     |                               |
|----------------------|-------------------------------|
| Colm McKenna         | Chair (from 1 September 2016) |
| Dr Brian Smyth       |                               |
| Dr Christine Kennedy |                               |
| Colin Reid           |                               |
| Aodhan O'Donnell     |                               |
| Dr Liz Mitchell      |                               |
| Phelim O'Neill       |                               |

<sup>32</sup> More information about members of the EMT can be found on our website: [www.food.gov.uk/about-us/how-we-work/profiles](http://www.food.gov.uk/about-us/how-we-work/profiles)

<sup>33</sup> More information about the committees of the FSA Board can be found on our website: [www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees](http://www.food.gov.uk/about-us/how-we-work/our-board/boardcommittees)

|                  |                          |
|------------------|--------------------------|
| <b>Wales</b>     |                          |
| Dr Ruth Hussey   | Chair (from 1 July 2016) |
| Derek Morgan     |                          |
| Dr Hugh Jones    |                          |
| Susan Jones      |                          |
| Dr Norma Barry   |                          |
| David Peace      |                          |
| Ronnie Alexander |                          |

### Audit and Risk Assurance Committee

Membership of the FSA Audit and Risk Assurance Committee:

|                              |       |
|------------------------------|-------|
| <b>Non-executive members</b> |       |
| Jim Smart                    | Chair |
| Ram Gidoomal                 |       |
| Dr Ruth Hussey               |       |
| Colm McKenna                 |       |
| Heather Peck                 |       |

### Succession and Development Committee

At the July 2016 Board meeting, in light of the infrequency with which the Succession and Development Committee had met over recent years, the FSA Board agreed to abolish it.

# MANAGEMENT COMMENTARY

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## Directors' report – business review

The following management commentary discloses the matters required to be disclosed in the business review under section 417 of the Companies Act 1968.

## Preparation of accounts

The Consolidated Resource Accounts have been prepared in accordance with the direction given by HM Treasury. They are presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000. The costs of FSA offices in Wales and Northern Ireland are funded through the relevant devolved authority.

## Supplier payment policy

It is FSA policy to pay all invoices not in dispute within five days of receipt. During 2016/17, 83% of all invoices were paid within this target. This figure has decreased from 2015/16's 98% due to a closed period surrounding a financial system changeover. The policy is to remain the same for 2017/18.

## Financial instruments

The FSA has no borrowings. It relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits. All material assets and liabilities are in sterling, so the FSA is not exposed to significant interest rate risk or currency risk.

## Bringing sustainable development, adapting to climate change and rural proofing into the mainstream of our work

Sustainable development is taken into account in FSA policy through the Government mandated Impact Assessment process. This includes assessing the impact on businesses including those in rural locations. The impact on nature and the potential to influence and mitigate climate change are also considered along with, as a matter of course, equality and diversity. Stakeholders are engaged throughout the policy-making process to ensure the best possible information and data are collected to inform our policies.

We continue to monitor and manage the potential impact of our work on climate change, and to assess how we may need to adapt our work in response to the effects of climate change. For example, the pattern and incidence of foodborne infections may be affected by increasing ambient temperatures. We also scan for emerging risks, including those resulting from climate change or from measures to mitigate or adapt to climate change. Our work is aligned with the National Adaptation Plan, in collaboration with other departments and agencies.



## Social and community issues

The FSA seeks to support employees who wish to contribute to the wider community and is committed to assist employees in undertaking volunteering activities. This is facilitated through the provision of paid special leave at individual and team level.

Our Special Leave Policy supports employees who want to contribute and participate in civic and/or public duties. Special leave in the form of time off with pay can be granted to staff who undertake one or more of the following roles amongst others:

- a magistrate/JP
- a local councillor
- a school governor
- a member of any statutory tribunal e.g. an Employment Tribunal or The Children's Panel

Special leave with pay can also be granted to allow employees to take part in activities that support voluntary organisations that make an impact on local and national communities, as well as:

- to Reservists (for both training and mobilisation), Cadet forces, and Special Constabulary training
- to staff who are summoned to attend court for a non-work-related matter
- to staff required to provide jury service

Special leave has only been recorded centrally for part of this year; since July, our employees have recorded 44.5 days of volunteering, with a range of activities including public duties, and community work such as gardening for a care home, and bus-washing and maintenance for an accessible transportation charity. We would anticipate an increase in the level of volunteering in the next financial year, as we continue to encourage individuals and teams to participate.

## Performance in responding to correspondence from the public

The FSA does not centrally record all incoming and outgoing correspondence and contact with members of the public. Contact details for FSA business areas are available on the FSA website for members of the public and food businesses to contact directly. During 2016, the FSA's general enquiries helpline handled 6,760 emails and 12,225 phone calls from members of the public. Additionally, FSA Private Office officials managed 997 items of correspondence sent by members of the public to Ministers, the FSA Chair, FSA Chief Executive or other, replying to 95% within target.

## Health and safety reporting

Following recommendations made by the Advisory Committee on Dangerous Pathogens regarding additional controls in abattoirs when processing cattle that have tested positive for bovine tuberculosis (TB reactor cattle), we carried out a national programme of face fit testing to ensure that appropriate respiratory protective equipment (RPE) is available and worn routinely at specific inspection points when our employees carry out post mortem inspection of TB reactor

cattle. RPE is also available in all abattoirs that process bovines to enable our employees to wear RPE whenever they discover a suspect TB lesion during bovine macroscopic post mortem inspection. We have implemented an annual health surveillance programme via our occupational health provider to satisfy the Control of Hazardous Substances to Health (COSHH) regulations. The health surveillance has been rolled out to all Meat Hygiene Inspectors (MHIs). It is anticipated that all MHIs will have undergone the health surveillance by the end of April 2017. Our Service Delivery Partners (SDP) are also conducting health surveillance for their staff.

The role of the Field Operations Health and Safety leads has been enhanced and this cohort have continued to play an active role in championing health and safety standards in the field while providing assurance to our central health, safety and wellbeing unit (HSWU) on health and safety matters, as well as promoting a positive health and safety culture in approved premises. With support from the central HSWU, the Health and Safety leads also championed wellbeing initiatives across the Agency.

We created and implemented a new online health and safety incident reporting system. This has been beneficial to managers and staff in terms of process simplification and the system has also enabled our central HSWU to better identify trends or issues for the purpose of organisational health and safety learning.

We continued to benchmark widely with other Government Departments to support the implementation of the Civil Service-wide Wellbeing Strategy, to share health safety and wellbeing expertise and to obtain best value from our Occupational Health and Employee Assistance programme providers.

Our 2016 People Survey results identified bullying and harassment as an ongoing concern for our staff. In response we have put in place a new policy and a programme of training and support for our managers to ensure that in the first instance we can support our employees and work collaboratively with food business operators (FBOs) to uphold the standards of expected behaviour. We also continued to communicate to FBOs and their representative organisations the importance of upholding these standards.

**Reportable Incidents, Diseases and Dangerous Occurrences (RIDDOR) 2014/15 – 2016/17**

| RIDDOR Category      | 2014/15 | 2015/16 | 2016/17 |
|----------------------|---------|---------|---------|
| Fatal                | 0       | 0       | 0       |
| Major                | 0       | 1       | 1       |
| <7 day               | 6       | 4       | 5       |
| Disease              | 2       | 0       | 1       |
| Dangerous Occurrence | 0       | 0       | 0       |
| Total                | 8       | 5       | 7       |

Progress against the health and safety 2014-17 strategic targets are as follows:

Target 1 – Maintain or improve, on a level of 3.2% of lost time, attributable to work-related injury or illness. The amount of lost time for the 2016/17 was 4.8%. The increase was attributable to two of

the above reported RIDDOR reportable accidents that resulted in two cases of employee long term sickness.

Target 2 – An aspirational target of 0 (zero) RIDDOR accidents. The number of RIDDOR incidents for the 2016/17 period was 7.

Target 3 – Maintain or improve upon the total accident incidence rate of 7,380 from 2014/15. This target covers all injury incidents irrespective of severity. It is primarily, but not exclusively, focused on injury incidents recorded within the delivery of the official controls environment. The figure for the year 2016/17 was 4,374.

## Publicity and advertising

The costs detailed here reflect the total of contributions from England, Wales and Northern Ireland.

### Food waste

In 2016 the FSA focused its annual Food Safety Week (4-10 July 2016) on raising awareness of food waste, the impact and risks and how to minimise it. We wanted to change behaviours around food waste in the home, particularly for example, eating food past its ‘use-by’ date and keeping leftovers for longer than they should have to save money.

Our PR coverage alone achieved an advertising value equivalent of £523,151, which meant a return on investment of nearly 10:1. More importantly we achieved a statistically significant increase in 7/10 tracked KPIs including an increase of 59%–63% stating ‘I will use my freezer more often to avoid food waste and an increase of 57% – 65% stating that ‘Eating food by the ‘use-by’ date helps to avoid food poisoning.

We continued this theme in the run up to Christmas with the ‘FSA Freezer Fairy’ communications activity. This phase focused on how effective use of your freezer can reduce stress and waste at Christmas. This phase of work reached over 56.8 million people generating an advertising value equivalent of £215,761 which is a return on investment of nearly 21:1.

Spend in 2016/2017 for Food Safety Week totalled £36,218, with a further £10,000 spent on activity in the run up to Christmas.

### Rare burgers

Our research shows that some people who prefer or choose to eat a burger that’s pink in the middle. There are measures taken in professional kitchens which reduce the risk of food poisoning but these are not possible to replicate at home. The objective for this piece of communications activity was to remind people that, unlike a steak, a burger cooked at home – on the barbecue or grill – needs to be cooked until steaming hot throughout.

To help achieve this we launched a programme of PR and social media activity on 25 August 2016 to coincide with National Burger Day and the bank holiday weekend. The activity reached approximately 55.5 million people. Our tracking research saw a slight increase in those who recalled seeing information on this issue. Spend on this activity totalled £43,000.

## Acrylamide

The Chief Scientific Adviser's report on acrylamide in November 2015 highlighted that the levels in food could be increasing the risk of cancer. The Total Diet Study confirmed that consumers are currently exposed to higher levels of acrylamide than is desirable. Alongside our ongoing work with industry to reduce levels of acrylamide, we ran consumer-facing PR activity on how cooking starchy foods carefully can reduce the risk.

This reached 69% of the adult population (36 million people) and public awareness of acrylamide has increased from 16% to 36%. This activity cost £50,000.

## Consultancy

Consultancy spend in 2016/17 was £781,943 (2015/16 £158,553) relating to nine suppliers with the greatest spend by one supplier being £320,238. This is mostly in relation to work on the Regulating our Future programme and work carried out on IT transformation.

## Details of paid sponsorship agreements over £5,000

We have not secured any paid-for sponsorship deals, preferring to work with partners who can offer help for free through their own channels and networks.

## Going concern

The FSA has significant net liabilities relating to the pension liabilities of staff who are members of the Local Government Pension Scheme (LGPS). The accounts, however, are prepared on a going concern basis since, as a government department, all liabilities will be met by future funding from Parliament.

## Pensions

FSA employees are civil servants. Most are members of the Principal Civil Service Pension Scheme (PCSPS). This is a central government unfunded pension scheme. Pension payments are made through the PCSPS resource account. Board members are not civil servants therefore they are not members of the PCSPS. However, some have similar pension arrangements independent of the PCSPS. Some employees are members of the LGPS. This is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 1995. It is administered by the London Pension Fund Authority (LPFA), whose financial statements are prepared for the whole LGPS.

## Disclosure of Board members' interests

Board members are appointed to act collectively in the public interest, not to represent specific sectors. Provisions for declaration of interests and withdrawal from meetings are intended to prevent the Chair, Deputy Chair, and members being influenced or appearing to be influenced, by their private interests in the exercise of their collective public duties.

All personal or business interests which may, or in the judgement of the member may, be perceived by a reasonable member of the public to influence their judgement, should be declared. Such interests include, but are not limited to, involvement in the agriculture, food, and related industries. The Code of Conduct for Board members includes a guide to the categories of interest that must be declared.

Details of Board members, their register of interests, and the Code of Conduct are on our website: [www.food.gov.uk/about-us/how-we-work/our-board/](http://www.food.gov.uk/about-us/how-we-work/our-board/)

## Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with Schedule 4 of the Food Standards Act 1999. The audit fee for all the FSA's accounts for the year was £85,000 (2015/16 £85,000). I have taken all necessary steps to make myself aware of relevant audit information and to ensure that information is made available to the auditors.

No payments were made to the auditors for non-audit work in 2016/17 (2015/16 £nil).

## Public sector information

The FSA has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

## Reporting of personal/sensitive data losses and/or incidents

This information is provided as part of the FSA Governance Statement 2016/17 on page 67.

## Important events which have occurred since the end of the financial year

Catherine Brown stepped down from her role as Chief Executive on 31 March. From 11 April Jason Feeney took up his newly appointed role as Chief Executive.

## Departmental Core Tables – Westminster only

This information can be found on our website: [www.food.gov.uk/about-us/publications/busreps/annualreport/](http://www.food.gov.uk/about-us/publications/busreps/annualreport/)

### Jason Feeney

Chief Executive and Accounting Officer

16 June 2016

# STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 5(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed the Food Standards Agency (FSA) to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the FSA and of its net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Chief Executive as Accounting Officer of the FSA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, and for safeguarding the FSA's assets, are set out in *Managing Public Money* published by the HM Treasury.

The Accounting Officer is required to confirm that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Accounting Officer is required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

**Jason Feeney**

Chief Executive and Accounting Officer

16 June 2017

# FSA GOVERNANCE STATEMENT 2016/17

## Introduction

1. As Accounting Officer for the Food Standards Agency (FSA), I am responsible for ensuring that the Department has an effective governance framework in place to support the delivery of the FSA's strategy, ensure value for money, manage risks and ensure effective organisational performance.

## Governance structure

2. As a non-Ministerial Government Department, the FSA is led by a non-Executive Board which complies with the relevant requirements of the Corporate Governance Code. In line with the FSA's culture of openness, the Board holds its decision-making meetings in public, and they are broadcast live via the FSA's website. The agendas, papers and minutes of Board meetings are also published.<sup>34</sup>
3. Heather Hancock serves as Chair of the FSA Board from 1 April 2016 until 31 March 2019.
4. David Brooks and Rosie Glazebrook started their first term of office as members of the FSA Board on 1 April 2016 until 31 March 2019. Stewart Houston and Paul Williams started their first term of office as members of the FSA Board on 1 June 2016 until 31 May 2019.
5. Ruth Hussey was appointed the FSA Board member for Wales and Chair of the Welsh Food Advisory Committee (WFAC) on 1 July 2016 until 30 June 2019.
6. Colm McKenna was appointed FSA Board member for Northern Ireland and Chair of the Northern Ireland Food Advisory Committee (NIFAC) on 1 September 2016 until 31 August 2019.
7. The term of office for Deputy Chair of the FSA Board, Tim Bennett, came to an end on 31 March 2017.
8. The terms of office for three Board members, Ram Gidoomal, Jim Smart and Heather Peck, came to end on 30 April 2017. Ram Gidoomal was re-appointed for a further one-year term until 30 April 2018.
9. In April 2017 a campaign was undertaken to recruit a new Deputy Chair of the FSA Board and up to three new FSA Board members.

<sup>34</sup> See: [www.food.gov.uk/about-us/our-board/meetings](http://www.food.gov.uk/about-us/our-board/meetings).

Further information about the FSA Board, including an overview of our members, can also be found on the FSA website: [www.food.gov.uk/about-us/our-board/boardmem](http://www.food.gov.uk/about-us/our-board/boardmem)

10. The Board is supported and advised by the Food Advisory Committees in each of the devolved countries,<sup>35</sup> by the Business Committee, and by the Audit and Risk Assurance Committee (ARAC).
11. In July 2016, the FSA Board decided to abolish the Succession and Development Committee, in light of the infrequency with which the Committee had met over recent years.
12. In November 2016, the FSA Board considered the role of the Food Advisory Committees and decided that their contribution should be widened to, from time to time, explore specific areas of interest at the request of the FSA Board, with an emphasis on the public's perspective on their interests in food.<sup>36</sup> The Chairs of the Food Advisory Committees report formally to each open Board meeting on issues considered.<sup>37</sup>
13. The Chair of ARAC provides the FSA Board with an oral update following each committee meeting, and reports formally in writing annually. The Chair of the Board is also Chair of the Business Committee, and all Board members are members of the Business Committee.
14. As Accounting Officer, I attend all Board and Business Committee meetings, and I am invited to attend all ARAC meetings.

## FSA Board Performance & Effectiveness Review

15. The Chair held appraisal meetings with the FSA Board members to review their effectiveness and future development as members of the Board during the 2016/17 financial year.
16. In July 2016, the Chair shared with the Board the outcomes of the Board Effectiveness Review conducted in autumn 2015.<sup>38</sup>
17. Our Scientific Advisory Committees (SACs) and General Advisory Committee on Science (GACS) continued to provide an independent challenge and assurance function. These SACs are Advisory Non-Departmental Public Bodies (ANDPBs). In addition to GACS, there are five such bodies: the Social Science Research Committee (SSRC); the Committee on Toxicity (COT); the Advisory Committee on the Microbiological Safety of Food (ACMSF); the Advisory Committee on Novel Foods and Processes (ACNFP); and the Advisory Committee on Animal Feedingstuffs (ACAF).
18. In May 2016, the FSA Board discussed the report from the Triennial Review of the FSA's SACs, conducted under the Public Bodies review programme led by Cabinet Office.<sup>39</sup>

<sup>35</sup> The Welsh Food Advisory Committee (WFAC) and the Northern Ireland Food Advisory Committee (NIFAC) were established as advisory bodies in the Food Standards Act (1999), which specifies their role as: 'To give advice or information to the Agency about matters connected with its statutory functions in particular matters or otherwise relating to [Wales/ Northern Ireland].'

<sup>36</sup> [www.food.gov.uk/sites/default/files/fsa161108.pdf](http://www.food.gov.uk/sites/default/files/fsa161108.pdf)

<sup>37</sup> Further information about the Food Advisory Committees is available on our website at [www.food.gov.uk/wales/about-fsa-wales/advisorycommitteewales](http://www.food.gov.uk/wales/about-fsa-wales/advisorycommitteewales) and [www.food.gov.uk/northern-ireland/about-fsa-ni/advisorycommittee](http://www.food.gov.uk/northern-ireland/about-fsa-ni/advisorycommittee)

<sup>38</sup> [www.food.gov.uk/sites/default/files/fsa160709.pdf](http://www.food.gov.uk/sites/default/files/fsa160709.pdf)

<sup>39</sup> The relevant Board papers are available at [www.food.gov.uk/about-us/our-board/meetings/2016/010116/board-meeting-agenda-18-may-2016-0](http://www.food.gov.uk/about-us/our-board/meetings/2016/010116/board-meeting-agenda-18-may-2016-0)



19. The Board agreed to take forward the recommendations in the report. These included the recommendation that GACS be replaced with a new Science Council which would take over the role of providing high-level, independent advice and challenge on FSA's use of science. The Council was formally established on 1 April 2017, at which point GACS was formally dissolved.
20. The Board agreed the FSA's priorities and high-level budget for the financial year 2017/18 at its March 2017 meeting.

### Attendance at Board and ARAC Meetings 2016/17

21. Records of each Board member's attendance at Board meetings and at ARAC meetings are detailed below.

#### Record of attendance FSA Board Meetings 2016/17

| Board Member       | May 2016 | Jul 2016 | Sep 2016 | Nov 2016 | Mar 2017 |
|--------------------|----------|----------|----------|----------|----------|
| Heather Hancock    | ✓        | ✓        | ✓        | ✓        | ✓        |
| Tim Bennett        | ✓        | ✓        | ✓        | ✓        | ✓        |
| Ruth Hussey        |          |          | ✓        | ✓        | ✓        |
| Colm McKenna       |          |          | ✓        | ✓        | ✓        |
| Paul Williams      |          | ✓        | ✓        | ✓        | ✓        |
| Stewart Houston    |          | ✓        | ✓        | ✓        | ✓        |
| James Smart        | ✓        | ✓        | ✓        | ✓        | ✓        |
| Ram Gidoomal       | ✓        | ✓        | ✓        | ✓        | ✓        |
| Heather Peck       | ✓        | ✓        | ✓        | ✓        | ✓        |
| David Brooks       | ✓        | ✓        | ✓        | ✓        | ✓        |
| Rosie Glazebrook   | ✓        | ✓        | ✓        | ✓        | ✓        |
| Jeff Halliwell     | ✓        |          |          |          |          |
| Roland Salmon      | ✓        |          |          |          |          |
| Paul Wiles         | X        |          |          |          |          |
| Henrietta Campbell | ✓        | ✓        |          |          |          |

**Record of attendance ARAC Meetings 2016/17**

| Board Member | May 2016 | Jun 2016 | Sep 2016 | Nov 2016 | Mar 2017 |
|--------------|----------|----------|----------|----------|----------|
| Jim Smart    | ✓        | ✓        | ✓        | ✓        | ✓        |
| Ram Gidoomal | ✓        | ✓        | ✓        | ✓        | ✓        |
| Heather Peck | ✓        | ✓        | ✓        | ✓        | ✓        |
| Ruth Hussey  |          |          | ✓        | ✓        | ✓        |
| Colm McKenna |          |          | ✓        | ✓        | ✓        |

**Audit & Risk Assurance Committee**

22. Two new members were appointed to the Committee during the year to bring the membership in line with the Terms of Reference for ARAC.
23. ARAC considered a range of issues in the year including: the FSA's consolidated accounts for 2015/16; the National Audit Office's (NAO) Audit Completion Report; the Head of Internal Audit's 2015/16 opinion; various internal audit reports (details of which are outlined in the Chair's Annual Report); and the Audit Plan for 2017/18. In undertaking its activities, ARAC sought to comply with the requirements of HM Treasury's Audit & Risk Assurance Committee Handbook.
24. The Committee discussed the Corporate Risk register at all full meetings. Members' discussions focused on the executive's assurance to ARAC that risks were being managed effectively.
25. Committee members had bilateral meetings with representatives of the FSA's external auditors, the NAO, and with the Head of Internal Audit to ensure a clear understanding of expectations and current issues.
26. ARAC members completed a self-assessment on the committee's effectiveness in 2015/16, and the actions from that were implemented during 2016/17. The Committee decided to postpone the self-assessment for 2016/17 to allow members appointed during the year to settle into their roles so they are able to complete an informed self-assessment in 2017/18.
27. In the Committee's annual report to the FSA Board, the ARAC Chair noted that sufficient and comprehensive work was undertaken by ARAC and that internal and external assurances were received during the year to adequately inform the Committee's assessment on the effectiveness of FSA risk management control and governance arrangements. Based on this, he concluded that the arrangements in place during the year were satisfactory.
28. At its March meeting, ARAC considered the risk emerging from the dissolution of the Northern Ireland Assembly. This resulted in Department of Finance (DoF) advising that they would not proceed with the 2016-17 Spring Supplementary Estimates (SSEs) and the associated Budget Bill. This created a risk of an Excess Vote due to FSA NI breaching its Spending Control limits.

29. A thorough review was undertaken to keep FSA NI expenditure in line with approved limits and avoid accounts qualification in the run up to the end of the financial year. Every effort was made, and plans adjusted accordingly, to ensure this had no continuing detrimental effect on the delivery of FSA NI's strategic objectives. ARAC endorsed this approach.

## The Leadership Team

30. I took up the role of Chief Executive on 11 April 2017. The Executive Management Team (EMT) provides corporate leadership to the FSA and supports me, as the FSA's Accounting Officer, in delivering the FSA strategy, directing the day-to-day business of the FSA and championing the values of the FSA. EMT meets in person approximately once a month and meets via teleconference weekly in between the face to face meetings.
31. On 1 April 2017 membership of the EMT comprised eight Directors, including a suitably qualified Finance Director and the FSA's Chief Scientific Advisor and myself as Accounting Officer.
32. The FSA's performance is discussed in public by Board members and EMT at the Business Committee meetings, which gives assurance over the FSA's delivery of the strategic plan, key objectives and value for money.

## External Assurance Reviews

33. The FSA supported a number of external reviews. These reviews have contributed to assurance on the effectiveness of our governance framework and also identified some opportunities for improvement, which have been implemented.
34. Reports issued during the year have included five reviews of official controls by Directorate F (formerly the FVO) of the European Commission, which covered primary production of food of non-animal origin, campylobacter, slaughter house hygiene practices, food safety controls in relation to fishery products and labelling and traceability.
35. Other reports issued covered reviews of IT services provision, the IT security assessment for the Food Hygiene Rating Scheme system, compliance standards for IT security protective controls, IT health check, the Phishing Assessment report, the activity based costing model for overheads included in charges to the meat industry, and a review of the discount and charging calculations for the meat industry.

## INTERNAL MANAGEMENT

### FSA risk management framework and capacity to handle risk

36. The FSA has a well-established risk management framework that is used to provide assurance to the FSA Board, ARAC and me as Accounting Officer that risks to achieving business objectives are being effectively identified and managed and that those involved understand their roles and responsibilities.

37. The framework is founded on a Risk Management Strategy, which outlines our plans for continuing to embed a risk management culture across the FSA. Good progress was made during the year to raise further the FSA's maturity in risk management as set out in HM Treasury's Risk Management Assurance Framework. For example, senior management are increasingly using risk appetite to support decision making and improve the handling of opportunities and risks.
38. EMT's regular discussions of risk clearly drive mitigating actions that reduce the level of risk. In addition, ARAC reviewed progress at their quarterly meetings, and there was a joint Board and Executive workshop in January 2017 which considered the strategic risks the organisation faces and reviewed the FSA's risk appetite.
39. The high-level focus during the year by EMT and Board members on the corporate-level risk register was complemented by systematic risk management at different levels across the FSA. We have an established network of risk advisors, who engage with cross-Government risk management networks and who share best practice and help ensure that good risk management practice and processes are consistently embedded across the FSA.
40. Corporate-level risks are defined by the FSA as those which:
  - materially alter our ability to achieve our strategic outcomes; and/or
  - fundamentally damage the ability of the FSA to operate (including reputational risks); and/or
  - cannot be managed or mitigated at a lower level within the organisation
41. As Accounting Officer I have overall responsibility for risk management, and each of the risks on the corporate risk register has an executive 'owner' and a mitigation plan. At the end of the financial year, the risks on the FSA's corporate level risk register included:
  - the risk of failing to provide an adequate response to a food incident;
  - the risk of failing to deliver a new regulatory model to ensure 'Food we can trust' in terms of food safety and authenticity, in a modern, sustainable global food system; and
  - the risk failing to engage fully and adequately in preparation for the UK exiting the EU and developing trade access arrangements with the EU and third countries

## Director Assurance Statements

42. At the start of the financial year, Directors agree to operate an adequate system of internal controls over a budget delegation received from me as Accounting Officer, including forecasting, managing risk and ensuring adequate segregation of duties.
43. The Finance & Performance Director chairs quarterly delivery, performance and finance review meetings with Directors. They review the use of financial budgets and resources, delivery, controls, and directorate performance. A consolidated view is then brought to EMT for further consideration, focusing on issues at a corporate level, and the public quarterly performance and resources report is discussed by the Business Committee.

44. These in-year reviews provide assurance on the performance and effectiveness of resources utilised, and progress made each quarter in delivering our business plan. The reviews also identify any potential areas in need of extra support to deliver business objectives.
45. Following a trial in 2015/16, a bi-annual assurance mapping framework was introduced in 2016/17.
46. In an environment of increasing expectations and declining resources, assurance maps are increasingly seen as a key part of good governance. The assurance map is a structured means of identifying and mapping the main sources of assurance in the organisation, and it provides a holistic view of assurance being given and aids identification of where assurance is duplicated or absent.
47. The use of the assurance maps has strengthened the FSA's existing assurance arrangements by providing a consistent, comprehensive overview of assurance provision across the organisation. It has aided Directors in completing their end of year assurance statement by setting out how an effective system of internal controls has been maintained. I have reviewed all the end of year assurance statements produced by my Directors and can confirm that no serious issues have been reported in relation to the effectiveness of our internal controls.

## Information Security

48. As Accounting Officer, I have given the FSA's Director of Openness, Data and Digital the role of SIRO. Information Security continues to be important for the UK Government and the FSA and the SIRO oversees our taking a proportionate view of the threat to our organisation based on the nature of our business, the information we handle, our risk appetite, and our approach to transparency. This year we have streamlined and improved the processes and procedures for handling security incidents.
49. All staff are required to complete the Responsible for Information e-learning course annually which is provided by Civil Service Learning.
50. We have continued to raise and promote security awareness throughout the organisation. This has included highlighting the importance of Information Security as our organisation transitions towards more flexible working arrangements. We have also carried out a security related exercise across the organisation to gauge the level of staff awareness and to help inform and refine our security incident handling procedures.
51. There were no protected personal data incidents which required reporting to the Information Commissioner's Office (ICO) in 2016/17.

**TABLE 1: SUMMARY OF PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2016/17**

| Date of incident (month)   | Nature of incident  | Nature of data involved | Number of people potentially affected | Notification steps |
|--|---|-------------------------|---------------------------------------|--------------------|
| No personal data losses required reporting to the ICO during 2016/17 |   |                         |                                       |                    |
| <b>Further action on information risk</b>                            | We continue to raise and promote security awareness. All staff are required to complete the Civil Service Learning 'Responsible for Information' e-learning course. |                         |                                       |                    |

**TABLE 2: SUMMARY OF OTHER PERSONAL DATA RELATED INCIDENTS IN 2016/17**

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures

| Category | Nature of incident   | Total |
|----------|--|-------|
| I        | Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises         | 0     |
| II       | Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises | 1     |
| III      | Insecure disposal of inadequately protected electronic equipment, devices or paper documents                             | 0     |
| IV       | Unauthorised disclosure  | 2     |
| V        | Other  | 4     |

## Effectiveness of the FSA whistleblowing and raising a concern policy

52. As Accounting Officer I am keen to ensure that the FSA's whistleblowing and raising a concern policy provides a framework within which staff are encouraged to raise their concerns about any serious wrongdoing or breach of the Civil Service Code within the FSA; affirm the FSA's commitment to investigating and responding to any such issues raised; and offer protection to staff who do raise concerns from any detrimental treatment or victimisation on the grounds of them doing so.
53. The FSA revised its policy in June 2016 to align its own provisions with those recommended across Government by Civil Service Employee Policy. Also in 2016 we delivered an awareness campaign to all staff highlighting the Civil Service Code and expected behaviours in the workplace; the benefits of a positive whistle blowing culture, how a concern can be raised and what to expect from an investigation. In addition awareness sessions were held with each senior leadership team within our organisation.

54. In January 2017 we received the Civil Service Commission's Decision Notice following a referral made to them by a whistle-blower employed by the FSA. The Decision Notice acknowledged the policy review and awareness raising work the FSA had undertaken in this important area and also the fact that we had already apologised to the individual for the way their case had been managed back in 2015.
55. The FSA is an active member of the cross-Government Nominated Officer community and we will continue to review and improve our arrangements in light of lessons identified from our own cases and also emerging best practice within Government.

## Shared Services

56. The FSA used the Oracle Shared Service provided by Defra for 13 years for Finance and Procurement systems. These services transferred from Defra to Shared Services Connected Ltd (SSCL) in November 2013. FSA moved along with the Defra network to SSCL's new Oracle system (known as the Single Operating Platform – SOP) in May 2016. This system is being used by several other government departments including DWP and Ministry of Justice. Although some weaknesses and failings have been identified in SSCL's controls through the year, e.g. paying suppliers on time, FSA has worked closely with SSCL to monitor and improve the services provided to FSA.
57. A third party assurance report for SSCL for the year ending 31/03/17 noted that bar exceptions noted above, the controls in place were suitably designed and operated effectively. The exceptions noted, in large, are not applicable to FSA as these services have not been required. FSA, however, will continue to monitor such reports and work to mitigate any risks.

## Macpherson Review of Quality Assurance of Government models

58. In line with the recommendations of the Macpherson Review of Quality Assurance of Government,<sup>40</sup> we maintain an up-to-date list of business critical models, and have processes in place to quality assure their inputs, methodology and outputs.

## Head of Internal Audit's Opinion

59. Based on the results of the audit work completed during the year and understanding the Agency's control environment, the Head of Internal Audit's opinion is that the FSA has maintained adequate risk management, control and governance arrangements.
60. The majority of internal audits completed were placed in the top two categories of audit opinions and none were in the fourth category. Financial controls have remained particularly effective. Where issues have been reported, management have taken appropriate actions to address these.
61. Improvements in risk management and understanding of risk appetite, especially at a corporate level, have continued during the year. These included clarification of the role of ARAC in relation to risk management to avoid duplication of responsibilities between ARAC

<sup>40</sup> [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/206946/review\\_of\\_qa\\_of\\_govt\\_analytical\\_models\\_final\\_report\\_040313.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206946/review_of_qa_of_govt_analytical_models_final_report_040313.pdf)

and the Executive, redefining risk appetite to improve clarity and understanding and better evidencing of the corporate level periodic review process for risks.

62. There has been good progress during the year in developing and implementing meaningful performance indicators to help the FSA in assessing achievement of objectives for key activities and programmes. Similar indicators for business-as-usual activities at divisional level would further enhance business planning and performance monitoring.
63. External reports and assessments have also been consistent and in particular, Directorate F of the European Commission (formerly the Food and Veterinary Office, FVO) reports issued during the year have not highlighted any significant control weaknesses.
64. In submitting his opinion, the Head of Internal Audit has confirmed that there were no limitations placed on the scope of the Internal Audit activities during 2016/17 and that he considers the breadth of the work conducted in audits performed during the year sufficient to provide me, as the Accounting Officer, with an evaluation and opinion on the effectiveness of governance and risk management processes in those areas audited.
65. He has also confirmed that he is satisfied that the work conducted by the Internal Audit team complies with the standards outlined in the Public Sector Internal Audit Standards.

## **Looking Ahead**

66. As Accounting Officer, I have worked with the Executive on plans to continue to improve our risk and governance across the FSA. The introduction of the assurance framework has led to further improvements in assurance and controls across the FSA. The quarterly performance reviews have seen increased use of performance measures across the organisation, which is supporting improvements in delivery. The Investment Board is now fully embedded and has seen better prioritisation, investment decisions and improved value for money. This, along with an improved business planning and budgeting process has supported the successful balancing of the FSA's 2017/18 Budget, which is the most challenging in the FSA's spending review.
67. We will continue to improve the integration of the business planning and budgeting process and to continue to build the link to risk management all of which will support the delivery of the strategy within the FSA's Spending Review settlement to March 2020.

## **Significant internal control weaknesses**

68. I am able to report that there were no significant weaknesses in the FSA's systems of internal controls in 2016/17 which affected the achievement of the FSA's key strategic outcomes, aims, objectives and policies.
69. I can also confirm that there have been no Ministerial Directions given during the course of the year.



## Impact of the EU Referendum

70. The European Union (Notification of Withdrawal) Bill was passed by Parliament on 13 March 2017 and received Royal Assent from Her Majesty The Queen to become an Act of Parliament on 16 March 2017. On 29 March 2017 the Prime Minister formally notified the European Council, in accordance with Article 50(2) of the Treaty on European Union, of the United Kingdom's intention to withdraw from the European Union.
71. The FSA is working with the Department for Exiting the European Union and other government departments to assess the implications for the FSA's status, operations and funding as a result of the intended withdrawal.

## Northern Ireland

72. The Northern Ireland Assembly was dissolved as from 26 January 2017 for an election which took place on 2 March, on which date Ministers also ceased to hold office. An Executive was not formed following the election within the period specified in the legislation. As a consequence, a Budget Act is not yet in place for 2017-18. In the absence of a budget for 2017-18 determined by an Executive, Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 provide for the Permanent Secretary of the Department of Finance to issue cash to departments from the NI Consolidated Fund. These powers are an interim measure designed to ensure that services can be maintained until such times as a budget is agreed and a Budget Act passed. To date there has been no operational impact on FSA in Northern Ireland.

**Jason Feeney**  
Accounting Officer

16 June 2017

# REMUNERATION REPORT

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The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

## Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

This report has been prepared in accordance with guidance EPN 452. The tables in the remuneration report are subject to audit.

Service contracts for Board members are listed below:

| Name  | 1st Term of Appointment | Duration of 1st Term of Contract        | 2nd Term of Appointment | Duration of 2nd Term of Contract |
|---|-------------------------|---|-------------------------|----------------------------------|
| Heather Hancock LVO Chair <sup>1</sup>      | 1 April 2016            | 3 years                                 |                         |                                  |
| Tim Bennett Deputy Chair <sup>2&amp;4</sup> | 1 May 2012 <sup>3</sup> | 3 years (extended to 13 September 2015) | 1 April 2016            | 1 year                           |
| Ram Gidoomal CBE                            | 1 May 2014              | 3 years                                 | 1 May 2017              | 1 year                           |
| Heather Peck                                | 1 May 2014              | 3 years                                 |                         |                                  |
| Jim Smart                                   | 1 May 2014              | 3 years                                 |                         |                                  |
| Colm McKenna                                | 1 September 2016        | 3 years                                 |                         |                                  |
| Paul Williams                               | 1 June 2016             | 3 years                                 |                         |                                  |
| Rosie Glazebrook                            | 1 April 2016            | 3 years                                 |                         |                                  |
| David Brooks                                | 1 April 2016            | 3 years                                 |                         |                                  |
| Stewart Houston                             | 1 June 2016             | 3 years                                 |                         |                                  |
| Dr Ruth Hussey                              | 1 July 2016             | 3 years                                 |                         |                                  |
| Dr Henrietta Campbell CB <sup>4</sup>       | 1 September 2010        | 3 years                                 | 1 September 2013        | 3 years                          |
| Jeff Halliwell <sup>4</sup>                 | 1 June 2012             | 3 years                                 | 1 June 2015             | 1 year                           |
| Paul Wiles CB <sup>4</sup>                  | 1 June 2012             | 3 years                                 | 1 June 2015             | 1 year                           |
| Dr Roland Salmon <sup>4</sup>               | 1 June 2013             | 3 years                                 |                         |                                  |

#### Notes

1. Heather Hancock previously served as Deputy chair 14 September 2015 – 31 March 2016.
2. Tim Bennett served as Interim Chair 28 July 2013 – 13 September 2015 and as Chair 14 September 2015 – 31 March 2016.
3. Tim Bennett previously served as a Board Member from 1 March 2007 – 30 April 2012.
4. Board members who left during financial year 16/17.

Board members may serve a maximum of two terms, and length of term may vary.

All members of the Executive Management Team are permanent members of staff.

There is no provision made for compensation relating to the early termination of any board or executive management team members.

## Salary and pension entitlements

The annual increase in Board members' remuneration is based on that recommended for office holders by the Senior Salaries Review Body. Senior Civil Service (SCS) staff salaries are uplifted in line with the central (Cabinet Office) SCS performance based pay and review system.

Full details of the remuneration and pension interests of Board members and the Executive Management Team are detailed below and are subject to audit.

### a) Remuneration

#### Executive Management Team

| Single total figure of remuneration  |               |                    |                       |       |                                    |       |                                       |         |              |         |
|--|---------------|--------------------|-----------------------|-------|------------------------------------|-------|---------------------------------------|---------|--------------|---------|
|  | Salary (£000) |                    | Bonus Payments (£000) |       | Benefits in kind (to nearest £100) |       | Pensions benefits (£000) <sup>1</sup> |         | Total (£000) |         |
|  | 16/17         | 15/16              | 16/17                 | 15/16 | 16/17                              | 15/16 | 16/17                                 | 15/16   | 16/17        | 15/16   |
| Catherine Brown (Chief Executive) <sup>2</sup>                                   | 160-165       | 155-160            | 10-15                 | 10-15 | –                                  | –     | –                                     | 60-65   | 170-175      | 230-235 |
| Jason Feeney CBE (Chief Operating Officer)                                       | 110-115       | 110-115            | 10-15                 | –     | –                                  | –     | 20-25                                 | 65-70   | 145-150      | 180-185 |
| Maria Jennings (Director FSA, Northern Ireland and Organisational Development)   | 90-95         | 80-85              | –                     | –     | –                                  | –     | 85-90                                 | 125-130 | 175-180      | 205-210 |
| Rod Ainsworth (Director of Regulatory and Legal Strategy)                        | 110-115       | 110-115            | –                     | –     | –                                  | –     | 40-45                                 | 40-45   | 155-160      | 155-160 |
| Julie Kettell (Director of Openness, Data and Digital from 1/09/15) (aka Pierce) | 110-115       | 60-65 <sup>5</sup> | 10-15                 | –     | 7800 <sup>3</sup>                  | –     | 40-45                                 | 20-25   | 160-165      | 85-90   |
| Steve Wearne <sup>4</sup> (Director of Policy)                                   | 105-110       | 100-105            | –                     | 5-10  | –                                  | –     | 40-45                                 | 60-65   | 145-150      | 175-180 |
| Nina Purcell (Director FSA, Wales and Local Delivery)                            | 90-95         | 80-85              | –                     | 5-10  | –                                  | –     | 90-95                                 | 110-115 | 180-185      | 200-205 |
| Chris Hitchen (Director Finance & Performance)                                   | 95-100        | 95-100             | 10-15                 | –     | –                                  | –     | 35-40                                 | 35-40   | 145-150      | 130-135 |

| Single total figure of remuneration                        |               |                    |                       |       |                                    |       |                                       |       |              |       |
|--|---------------|--------------------|-----------------------|-------|------------------------------------|-------|---------------------------------------|-------|--------------|-------|
|  | Salary (£000) |                    | Bonus Payments (£000) |       | Benefits in kind (to nearest £100) |       | Pensions benefits (£000) <sup>1</sup> |       | Total (£000) |       |
|  | 16/17         | 15/16              | 16/17                 | 15/16 | 16/17                              | 15/16 | 16/17                                 | 15/16 | 16/17        | 15/16 |
| Stephen Humphreys<br>(Director Communications to 31/08/15) | –             | 35-40 <sup>5</sup> | –                     | –     | –                                  | –     | –                                     | 15-20 | –            | 50-55 |
| Lynne Bywater<br>(Director Human Resources to 31/07/15)    | –             | 25-30 <sup>5</sup> | –                     | –     | –                                  | –     | –                                     | 10-15 | –            | 35-40 |

#### Notes

1. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
2. Catherine Brown chose not to be covered by the Civil Service pension arrangements during the reporting year. Catherine Brown stepped down from her role as Chief Executive on 31st March 2017.
3. Julie Kettell's benefit in kind relates to contractual home to office travel.
4. Steve Wearne's pension benefits for 15/16 were recalculated by MyCSP due to retrospective service history updates.
5. All starter and leaver salaries are shown for their actual periods of employment. The corresponding full year equivalent for 15/16 was £85-£90K for Stephen Humphreys, £75-£80K for Lynne Bywater and £110-£115K for Julie Kettell.

In addition to these members of the Executive Management Team, Guy Poppy has been in the position of Chief Scientific Adviser since 1 August 2014, on secondment from Southampton University. The FSA has been recharged salary costs by the university in the band £90-£95k for the period to 31 March 2017 (£90-£95k to 31 March 2016).

## Pay Multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

| <b>Consolidated FSA</b>                            | <b>2016/17</b>     | <b>2015/16</b> |
|--|--------------------|----------------|
| Band of Highest Paid Director's Total Remuneration | <b>£170k-£175k</b> | £170k-£175k    |
| Median Total Remuneration                          | <b>£33k</b>        | £33k           |
| Ratio  | <b>5.18</b>        | 5.18           |
| Remuneration Range                                 | <b>£18k-£122k</b>  | £18k-£114k     |

| <b>Westminster</b>                                 | <b>2016/17</b>     | <b>2015/16</b> |
|--|--------------------|----------------|
| Band of Highest Paid Director's Total Remuneration | <b>£170k-£175k</b> | £170k-£175k    |
| Median Total Remuneration                          | <b>£33k</b>        | £33k           |
| Ratio  | <b>5.19</b>        | 5.17           |
| Remuneration Range                                 | <b>£18k-£122k</b>  | £18k-£114k     |

| <b>Wales</b>                                       | <b>2016/17</b>   | <b>2015/16</b> |
|--|------------------|----------------|
| Band of Highest Paid Director's Total Remuneration | <b>£90k-£95k</b> | £95k-£100k     |
| Median Total Remuneration                          | <b>£35k</b>      | £34k           |
| Ratio  | <b>2.66</b>      | 2.85           |
| Remuneration Range                                 | <b>£23k-£80k</b> | £22k-£54k      |

The movement in the ratio is due to an increase in median staff pay.

| <b>Northern Ireland</b>                            | <b>2016/17</b>   | <b>2015/16</b> |
|--|------------------|----------------|
| Band of Highest Paid Director's Total Remuneration | <b>£90k-£95k</b> | £85-£90k       |
| Median Total Remuneration                          | <b>£33k</b>      | £33k           |
| Ratio  | <b>2.80</b>      | 2.69           |
| Remuneration Range                                 | <b>£18k-£66k</b> | £18k-£64k      |

The movement in the ratio is due to an increase in the highest paid directors pay which moved the band of their pay increasing the midpoint value used in the ratio.

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

This is different to the total remuneration reported for Executive Management Team members which includes a pension benefit valuation. This is to allow like for like comparison of average staff and highest paid director remuneration.

## Food Standards Agency Board

| Single total figure of remuneration   |               |       |                                    |       |                                       |       |              |       |
|---------------------------------------|---------------|-------|------------------------------------|-------|---------------------------------------|-------|--------------|-------|
|                                       | Salary (£000) |       | Benefits in kind (to nearest £100) |       | Pensions benefits (£000) <sup>1</sup> |       | Total (£000) |       |
|                                       | 16/17         | 15/16 | 16/17                              | 15/16 | 16/17                                 | 15/16 | 16/17        | 15/16 |
| Heather Hancock LVO, Chair            | 60-65         | 10-15 | –                                  | –     | –                                     | –     | 60-65        | 10-15 |
| Tim Bennett, Deputy Chair             | 20-25         | 60-65 | –                                  | –     | –                                     | –     | 20-25        | 60-65 |
| Ram Gidoomal CBE                      | 10-15         | 10-15 | –                                  | –     | –                                     | –     | 10-15        | 10-15 |
| Heather Peck                          | 10-15         | 10-15 | –                                  | –     | –                                     | –     | 10-15        | 10-15 |
| Jim Smart                             | 10-15         | 10-15 | –                                  | –     | –                                     | –     | 10-15        | 10-15 |
| Colm McKenna <sup>2</sup>             | 10-15         | –     | –                                  | –     | –                                     | –     | 10-15        | –     |
| Paul Williams <sup>2</sup>            | 5-10          | –     | –                                  | –     | –                                     | –     | 5-10         | –     |
| Rosie Glazebrook                      | 10-15         | –     | –                                  | –     | –                                     | –     | 10-15        | –     |
| David Brookes                         | 10-15         | –     | –                                  | –     | –                                     | –     | 10-15        | –     |
| Stewart Houston <sup>2</sup>          | 5-10          | –     | –                                  | –     | –                                     | –     | 5-10         | –     |
| Dr Ruth Hussey <sup>2</sup>           | 15-20         | –     | –                                  | –     | –                                     | –     | 15-20        | –     |
| Dr Henrietta Campbell CB <sup>2</sup> | 10-15         | 25-30 | –                                  | –     | –                                     | –     | 10-15        | 25-30 |
| Jeff Halliwell <sup>2</sup>           | 0-5           | 10-15 | –                                  | –     | –                                     | –     | 0-5          | 10-15 |
| Paul Wiles CB <sup>2</sup>            | 0-5           | 10-15 | –                                  | –     | –                                     | –     | 0-5          | 10-15 |
| Dr Roland Salmon <sup>2</sup>         | 0-5           | 25-30 | –                                  | –     | –                                     | –     | 0-5          | 25-30 |

### Notes

1. No FSA board members are in a pension scheme contributed to by FSA therefore there are no pension costs to report.
2. All starter and leaver salaries are shown for their actual period of employment. The corresponding full year equivalents for 15/16 were £20-£25K for Heather Hancock and for 16/17 were £20-£25K for Colm McKenna, £10-£15K for Paul Williams, £10-£15K for Stewart Houston, £20-£25K for Ruth Hussey, £20-£25K for Henrietta Campbell, £10-£15K for Jeff Halliwell, £10-£15K for Paul Wiles and £25-£30K for Roland Salmon.

### Salary

Salary includes gross salary; overtime; reserved rights to London Weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by the department and thus recorded in these accounts.

## **Bonuses**

A Pay Committee is set up each year to assess implementation of pay awards including bonus payments in line with guidance provided by the Cabinet Office. Membership of the Pay Committee is made up of directors and one independent member. Pay recommendations are considered on the basis of review of individual performance against objectives as well as overall consistency.

The Committee provides a breakdown of awards to the Cabinet Office, covering performance group distribution, analysis of bonuses awarded and feedback on the operation of the system. The bonuses reported in 2015/16 relate to performance in 2014/15 and bonuses reported in 2016/17 relate to performance in 2015/16.

## **Benefits in Kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.



## (b) Pension benefits

## Executive Management Team

|                              |   | 2016/17   |  |                       |                       |                       |
|------------------------------|---|---|--|-----------------------|-----------------------|-----------------------|
|                              |   | Accrued pension at pension age as at 31/3/17 and related lump sum | Real increase in pension and related lump sum at pension age | CETV at 31 March 2017 | CETV at 31 March 2016 | Real increase in CETV |
|                              |   | £5,000  | £2,500   |                       |                       |                       |
|                              |   | (£000)  | (£000)   | (£000)                | (£000)                | (£000)                |
| Catherine Brown <sup>1</sup> | Chief Executive   | –   | –  | –                     | 347                   | –                     |
| Jason Feeney CBE             | Chief Operating Officer                                       | 50-55 plus lump sum of 150-155                                    | 0-2.5 plus lump sum of 2.5-5                                 | 1015                  | 951                   | 20                    |
| Maria Jennings*              | Director, FSA Northern Ireland and Organisational Development | 35-40   | 2.5-5  | 576                   | 495                   | 55                    |
| Rod Ainsworth                | Director, Regulatory and Legal Strategy                       | 15-20   | 2.5-5  | 292                   | 245                   | 32                    |
| Julie Kettle (aka Pierce)    | Director Openness, Data & Digital                             | 20-25   | 2.5-5  | 363                   | 317                   | 30                    |
| Steve Wearne                 | Director, Policy  | 35-40 plus lump sum of 95-100                                     | 0-2.5 plus lump sum of 0                                     | 661                   | 611                   | 20                    |
| Nina Purcell                 | Director, FSA Wales and Local Delivery                        | 45-50 plus lump sum of 135-140                                    | 2.5-5 plus lump sum of 12.5-15                               | 1002                  | 876                   | 86                    |
| Chris Hitchen                | Director, Finance & Performance                               | 15-20   | 0-2.5  | 169                   | 143                   | 15                    |

## Notes

1. Catherine Brown opted out of the PCSPS from 1st April 2016 therefore she did not accrue any pension benefits in 16/17.

|                           |   | 2015/16   |  |                       |                       |                       |
|---------------------------|---|---|--|-----------------------|-----------------------|-----------------------|
|                           |   | Accrued pension at pension age as at 31/3/16 and related lump sum | Real increase in pension and related lump sum at pension age | CETV at 31 March 2016 | CETV at 31 March 2015 | Real increase in CETV |
| <b>Bands</b>              |   | £5,000  | £2,500   |                       |                       |                       |
|                           |   | (£000)  | (£000)   | (£000)                | (£000)                | (£000)                |
| Catherine Brown           | Chief Executive                                 | 25-30   | 2.5-5  | 347                   | 278                   | 21                    |
| Steve Wearne <sup>1</sup> | Director, Policy                                | 30-35 plus lump sum of 95-100                                     | 2.5-5 plus lump sum of 2.5-5                                 | 611                   | 522                   | 36                    |
| Chris Hitchen             | Director, Finance & Strategic Planning          | 10-15   | 0-2.5  | 143                   | 110                   | 12                    |
| Jason Feeney CBE          | Chief Operating Officer                         | 45-50 plus lump sum of 140-145                                    | 2.5-5 plus lump sum of 10-12.5                               | 951                   | 820                   | 59                    |
| Rod Ainsworth             | Director, Regulatory and Legal Strategy         | 15-20   | 2.5-5  | 245                   | 189                   | 28                    |
| Maria Jennings*           | Director, FSA Northern Ireland                  | 30-35   | 5-7.5  | 495                   | 373                   | 84                    |
| Nina Purcell              | Director, FSA Wales                             | 40-45 plus lump sum of 125-130                                    | 5-7.5 plus lump sum of 15-17.5                               | 876                   | 716                   | 101                   |
| Stephen Humphreys*        | Director, Communications (to 31/08/15)          | 15-20   | 0-2.5  | 289                   | 263                   | 11                    |
| Lynne Bywater             | Director, Human Resources (to 31/07/15)         | 15-20   | 0-2.5  | 201                   | 187                   | 5                     |
| Julie Kettle (aka Pierce) | Director Openness, Data & Digital (from 1/9/15) | 20-25   | 0-2.5  | 317                   | 287                   | 17                    |

**Notes**

\* As Premium PCSPS Scheme members, staff can choose, within a predetermined range, how their accumulated pension benefits are split between lump sum and annual pension.

\*\* Figures restated by MyCSP after review identified miscalculations in CETV figures.

1. Steve Wearne's pension benefits have been recalculated by MyCSP for 15/16 due to retrospective service history updates.

## Food Standards Agency Board

A number of former FSA Board members benefit from a by-analogy pension scheme similar to the PCSPS. The scheme is now closed to new members and there are no active scheme members.

### Civil Service Pensions

From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service, joined **alpha**. Prior to that date, civil servants participated in the Principle Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and 1 providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch to **alpha** sometime between 1 June 2015 and 1 February 2022.

All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figures quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contributions (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for member of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**.

Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**.

In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figure has benefits in both the PCSPS and alpha and the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Jason Feeney**

Chief Executive and Accounting Officer

16 June 2017

## STAFF REPORT

### Number of SCS staff by pay band

| Pay band | Westminster | Wales | Northern Ireland | Total |
|----------|-------------|-------|------------------|-------|
| SCS1     | 7           | 1     | 0                | 8     |
| SCS2     | 5           | 1     | 1                | 7     |
| SCS3     | 1           | 0     | 0                | 1     |

### Staff numbers and costs

(as in accounts package)

#### Number of persons of each sex (as of 31 March 2017):

|                   | Male | Female |
|-------------------|------|--------|
| Executive members | 5    | 4      |
| Board members     | 7    | 4      |
| Other employees   | 705  | 341    |

### Recruitment practice

The FSA recruitment policy follows the Civil Service recruitment principles, and is based on appointment of the best candidate on merit, identified through a process of open and fair competition. The recruitment policy is set out on our intranet site and provides a transparent approach that identifies high calibre individuals and promotes equality and diversity. All external recruitment is currently subject to internal approval by either the Director for FSA Northern Ireland & Organisational Development or the Senior HR Business Partner. Occasionally we do appoint individuals by exception, and the use of exceptions along with external recruitment activity is reported to the Civil Service Commission on a quarterly basis.

### Diversity and employment of disabled persons

The FSA maintains its commitment to providing equality of opportunity to all (including disabled persons) and is working to eliminate all forms of discrimination, harassment and bullying, to create a diverse workforce and an inclusive working environment in which everyone feels involved, respected and valued. The FSA's vision is for a workplace in which everyone feels:

- we can be ourselves
- our unique contribution is recognised and respected
- achieving a healthy balance between work and the rest of our lives is valued
- we can find meaning in our work
- we belong and there is space for us to grow
- we serve each part of the community in a way that reflects its needs

The Diversity Working Group discusses organisational priorities and initiatives that support the FSA's Diversity Vision. We report our diversity workforce information, recruitment statistics, along with a narrative on how we respect diversity and inclusion in ways that are non-HR related, in our Annual Diversity Report, which is available on [food.gov.uk](http://food.gov.uk).<sup>41</sup>

### Employee involvement

The FSA provides employees with relevant information, and we invite responses and feedback through our intranet site (FoodWeb) and through Yammer, an internal social media network. Our external website ([www.food.gov.uk](http://www.food.gov.uk)) provides information on the Agency, including performance related and financial information. The FSA is committed to maintaining effective employee relations with staff and their trade union representatives. The FSA's Recognition and Facility Agreement looks to maintain effective arrangements for formally and informally communicating, consulting and negotiating with staff and/or their union representatives. The FSA Staff Group is a consultative group that forms a link between staff and directors on a wide range of issues; and the Policy Advisory Group is a consultative group that helps to ensure that human resources policies reflect the structures, processes and culture within the FSA and supports effective people management. The Civil Service People Survey is a key tool for the FSA in understanding and improving employee engagement: all staff are invited to participate in this annual survey and contribute to follow-up action plans at both a local and organisation-wide level. In 2016, 89.4% of staff participated in the survey, providing a valuable insight into employee engagement and experience of working for the FSA, with engagement at 58%.

### Off-payroll engagements

**Table 1: For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months**

|   | Main department |
|---|-----------------|
| <b>Existing engagements as of 31 March 2017</b>   | 2               |
| Of which the number that have existed for...      |                 |
| Less than one year at time of reporting           | 1               |
| Between one and two years at time of reporting    | 1               |
| Between two and three years at time of reporting  | 0               |
| Between three and four years at time of reporting | 0               |
| Four or more years at time of reporting           | 0               |

**All existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.**

<sup>41</sup> [www.food.gov.uk/about-us/data-and-policies/equality/diversity-report](http://www.food.gov.uk/about-us/data-and-policies/equality/diversity-report)

**Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months**

|   | Main Department |
|---|-----------------|
| <b>New engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017</b>  | 12              |
| Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations | 5               |
| Number for whom assurance has been requested  | 5               |
| Of which...   |                 |
| Number for whom assurance has been received   | 5               |
| Number for whom assurance has not been received   | 0               |
| Number that have been terminated as a result of assurance not being received  | 0               |

**Table 3: For any off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2016 and 31 March 2017 departments must also disclose:**

|  | Main department |
|--|-----------------|
| <b>No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year. (1)</b>   | 0               |
| Total no. of individuals on payroll and off-payroll that have been deemed “board members, and/ or, senior officials with significant financial responsibility”, during the financial year. This figure should include both on payroll and off- payroll engagements.(2) | 0               |

### Reporting of sickness absence data

The provisional figure for staff absence as a result of physical and mental illness including injuries, disability or other health problems is approximately 7.1 days per employee, compared with 6.2 and 7.2 for the previous 2 years.

**Table 1: Sickness data by country**

|                         | 2016/17 | 2015/16 | 2014/15 |
|-------------------------|---------|---------|---------|
| Westminster             | 7.1     | 7.4     | 7.7     |
| FSA in Wales            | 1.5     | 7.0     | 8.5     |
| FSA in Northern Ireland | 10.7    | 3.2     | 4.0     |
| Consolidated            | 7.1     | 6.2     | 7.2     |



## STAFF NUMBERS & COSTS

The following information is subject to audit.

### Staff Report

Staff costs comprise:

#### A Administration costs

|   | 2016/17       |               |               | 2015/16       |
|---|---------------|---------------|---------------|---------------|
|   | £000<br>STAFF | £000<br>BOARD | £000<br>TOTAL | £000<br>TOTAL |
| Wages and salaries                                | 15,100        | 163           | 15,263        | 15,760        |
| Social security costs                             | 1,612         | 16            | 1,628         | 1,321         |
| Other pension costs                               | 3,084         | –             | 3,084         | 3,197         |
| Sub total   | <b>19,796</b> | <b>179</b>    | <b>19,975</b> | <b>20,278</b> |
| Agency Staff                                      | 943           | –             | 943           | 590           |
| Total   | <b>20,739</b> | <b>179</b>    | <b>20,918</b> | <b>20,868</b> |
| Less recoveries in respect of outward secondments | (199)         | –             | (199)         | (85)          |
| <b>Total net costs</b>                            | <b>20,540</b> | <b>179</b>    | <b>20,719</b> | <b>20,783</b> |

#### B Programme costs

|   | 2016/17<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|
| Wages and salaries                                | 19,874          | 21,535          |
| Social security costs                             | 2,089           | 1,665           |
| Other pension costs                               | 3,631           | 3,810           |
| Agency Staff                                      | 133             | 209             |
| Contract inspectors and veterinary costs          | 20,586          | 21,567          |
| Total   | <b>46,313</b>   | <b>48,786</b>   |
| Less recoveries in respect of outward secondments | (4)             | 0               |
| <b>Total net costs</b>                            | <b>46,309</b>   | <b>48,786</b>   |

Programme wages and salaries includes the cost of employed meat hygiene inspectors, veterinary managers and Operations support staff.

## C Principal Civil Service Pension Scheme

The Principal Civil Service Pension Schemes (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as "alpha" are unfunded multi-employer defined benefit scheme but the FSA is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012 and you can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservicepensionscheme.org.uk/about-us/resource-accounts/](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/))

For 2016/17, employers' contributions of £4.9m (2015/16 £5.0m) were payable to the PCSPS at one of four rates in the range of 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016/17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £28,817 (2015/16 £28,423) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. The FSA as an employer also matches employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £1,142 (2015/16 £1,343 at 0.5% of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

### Reporting of Civil Service compensation scheme

|                               | 2016/17                           |                                   |  |
|-------------------------------|-----------------------------------|-----------------------------------|--|
| Exit Package cost band        | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
| < £10,000                     | –                                 | 1                                 | 1  |
| £10,000 – £25,000             | –                                 | 6                                 | 6  |
| £25,000 – £50,000             | –                                 | 11                                | 11   |
| £50,000 – £100,000            | –                                 | 7                                 | 7  |
| £100,000 – £150,000           | –                                 | –                                 | –  |
| £150,000 – £200,000           | –                                 | –                                 | –  |
| £200,000 and above            | –                                 | –                                 | –  |
| Total number of exit packages | –                                 | 25                                | 25   |
| Total resource cost £         | –                                 | 979,726                           | 979,726                                    |

|                               | 2015/16                           |                                   |  |
|-------------------------------|-----------------------------------|-----------------------------------|--|
|                               | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
| Exit Package cost band        |                                   |                                   |  |
| < £10,000                     | –                                 | 5                                 | 5  |
| £10,000 – £25,000             | 2                                 | 5                                 | 7  |
| £25,000 – £50,000             | –                                 | 5                                 | 5  |
| £50,000 – £100,000            | 2                                 | 2                                 | 4  |
| £100,000 – £150,000           | –                                 | –                                 | –  |
| £150,000 – £200,000           | –                                 | –                                 | –  |
| £200,000 and above            | –                                 | –                                 | –  |
| Total number of exit packages | 4                                 | 17                                | 21   |
| Total resource cost £         | 184,208                           | 436,685                           | 620,893                                    |

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. All costs in relation to exit packages were not over the contractual amounts payable.

There were two early retirements on ill health grounds in 2016/17 at a cost of £30,776. In 2015/16 there were nine early retirements on ill health grounds at a cost of £98,863.

## D Local Government Pension Scheme

The Local Government Pension Scheme is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. For the year ended 31 March 2017, contributions of £2.0m (2015/16 £2.1m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2017, this rate was 16.7% (2015/16 16.7%) of pensionable remuneration.

On the basis of the full actuarial valuation the FSA Fund deficit was £13.5m as at March 2016 (March 2013 £20.8m). The Agency agreed to increase the funding to the scheme, payable for 12 years from 2014. For 2016/17 and additional deficit reduction amount of £1.8m was paid and for 2017/18 £1.4m will be paid.

The next full actuarial review of the scheme will show the position at 31 March 2019. This triennial valuation process will be carried out in the summer of 2019 and will determine the FSA's employer contribution rate for a three year period starting 1 April 2020, including the deficit payment.

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £89.2m as at 31 March 2017 compared with a calculated deficit of £77.4m as at 31 March 2016. The projected unit method of valuation has been used to calculate the service cost under IAS19.

## E Average number of persons employed

The average number of whole-time equivalent persons employed during the year 2016/17 and 2015/16 was as follows.

|   | Average number of persons employed |              |
|---|------------------------------------|--------------|
|   | 2016/17                            | 2015/16      |
| <b>Permanent staff</b>  |                                    |              |
| Private Office  | 21                                 | 16           |
| Regulatory & Legal Strategy Directorate (incl CSU from 16/17) | 69                                 | 43           |
| Policy & Science Directorate                                  | 120                                | 149          |
| Operations  | 598                                | 643          |
| Finance & Performance   | 65                                 | 69           |
| Organisational Development                                    | 9                                  | 14           |
| Openness, Data & Digital                                      | 46                                 | 39           |
| Regulatory Delivery Division                                  | 53                                 | 41           |
| <b>Permanent staff total</b>                                  | <b>981</b>                         | <b>1,014</b> |
| <b>Temporary staff</b>  |                                    |              |
| Private Office  | –                                  | –            |
| Regulatory & Legal Strategy Directorate (incl CSU from 16/17) | –                                  | 1            |
| Policy & Science Directorate                                  | –                                  | 3            |
| Operations  | 453                                | 482          |
| Finance & Performance   | 7                                  | 7            |
| Organisational Development                                    | –                                  | –            |
| Openness, Data & Digital                                      | 3                                  | 4            |
| Regulatory Delivery Division                                  | –                                  | 2            |
| <b>Temporary staff total</b>                                  | <b>463</b>                         | <b>499</b>   |
| <b>Board</b>  | <b>11</b>                          | <b>9</b>     |
| <b>Total</b>  | <b>1,455</b>                       | <b>1,522</b> |

Temporary staff include agency staff, consultants, contractors, casuals and temporary staff on fixed term contracts.

## STATEMENT OF PARLIAMENTARY SUPPLY

The following notes are subject to audit.

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the Food Standards Agency to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPS and related notes are subject to audit.

### Summary of Resource and Capital Outturn 2016/17

|   |       | 2016/17<br>£000 |               |               | 2015/16<br>£000  |               |              |
|---|-------|-----------------|---------------|---------------|--|---------------|--------------|
|   |       | Estimate        |               |               | Outturn  |               |              |
|   |       |                 |               |               | Voted<br>outturn<br>compared<br>with<br>Estimate:<br>saving/<br>(excess) |               |              |
| SoPS<br>Note                                  | Voted | Non-<br>Voted   | Total         | Voted         | Non-<br>Voted  | Total         | Total        |
| <b>Departmental<br/>Expenditure<br/>Limit</b> |       |                 |               |               |  |               |              |
| – Resource                                    | 1.1   | 78,800          | 78,800        | 78,069        |  | 78,069        | 731          |
| – Capital                                     | 1.2   | 5,712           | 5,712         | 4,786         |  | 4,786         | 926          |
| <b>Annually<br/>Managed<br/>Expenditure</b>   |       |                 |               |               |  |               |              |
| – Resource                                    | 1.1   | 9,603           | 9,603         | 2,163         |  | 2,163         | 7,440        |
| – Capital                                     | 1.2   | –               | –             | –             |  | –             | –            |
| <b>Total Budget</b>                           |       | 94,115          | 94,115        | 85,018        | –  | 85,018        | 9,097        |
| <b>Non-Budget</b>                             |       |                 |               |               |  |               |              |
| – Resource                                    | 1.1   | –               | –             | –             |  | –             | –            |
| <b>Total</b>                                  |       | <b>94,115</b>   | <b>94,115</b> | <b>85,018</b> |  | <b>85,018</b> | <b>9,097</b> |
| Total Resource                                |       | 88,403          | 88,403        | 80,232        |  | 80,232        | 8,171        |
| Total Capital                                 |       | 5,712           | 5,712         | 4,786         |  | 4,786         | 926          |
| <b>Total</b>                                  |       | <b>94,115</b>   | <b>94,115</b> | <b>85,018</b> |  | <b>85,018</b> | <b>9,097</b> |

## Net Cash Requirement 2016/17

|              | 2016/17<br>£000 |               | 2016/17<br>£000   | 2015/16<br>£000 |
|--------------|-----------------|---------------|---|-----------------|
| SoPS<br>Note | Estimate        | Outturn       | Outturn<br>compared<br>with<br>Estimate:<br>saving/<br>(excess) | Outturn         |
| 2            | <b>86,363</b>   | <b>80,759</b> | 5,604   | 83,639          |

## Administration Costs 2016/17

|  | 2016/17<br>£000 |               | 2016/17<br>£000 | 2015/16<br>£000 |
|--|-----------------|---------------|-----------------|-----------------|
|  | Estimate        | Outturn       |                 | Outturn         |
|  | <b>36,756</b>   | <b>35,473</b> |                 | <b>34,719</b>   |

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between Estimate and Outturn are given in the Performance Report on page 50.

# NOTES TO THE STATEMENT OF PARLIAMENTARY SUPPLY

## SOPS 1. Net Outturn

### SOPS1.1 Analysis of net resource outturn by section

For analysis please refer to the Comparison of Outturn against Estimate in the Performance Report, page 50.

|   | Outturn        |                |               |               |                 |               | Estimate      |                                |  | Outturn      |               |
|---|----------------|----------------|---------------|---------------|-----------------|---------------|---------------|--------------------------------|--|--------------|---------------|
|   | Administration |                |               | Programme     |                 |               | Total         | Net total compared to Estimate | Net total compared to Estimate, adjusted for virements | Total        |               |
|   | Gross          | Income         | Net           | Gross         | Income          | Net           |               |                                |  |              |               |
| <b>Spending in Departmental Expenditure</b> |                |                |               |               |                 |               |               |                                |  |              |               |
| Voted:                                      |                |                |               |               |                 |               |               |                                |  |              |               |
| A: FSA Westminster (DEL)                    | 42,636         | (7,163)        | 35,473        | 68,069        | (25,473)        | 42,596        | 78,069        | 78,800                         | 731  | 731          | 82,609        |
|   | 42,636         | (7,163)        | 35,473        | 68,069        | (25,473)        | 42,596        | 78,069        | 78,800                         | 731  | 731          | 82,609        |
| <b>Annually Managed Expenditure</b>         |                |                |               |               |                 |               |               |                                |  |              |               |
| Voted:                                      |                |                |               |               |                 |               |               |                                |  |              |               |
| B: FSA Westminster (AME)                    | -              | -              | -             | 2,163         | -               | 2,163         | 2,163         | 9,603                          | 7,440  | 7,440        | 495           |
| <b>Total</b>                                | <b>42,636</b>  | <b>(7,163)</b> | <b>35,473</b> | <b>70,232</b> | <b>(25,473)</b> | <b>44,759</b> | <b>80,232</b> | <b>88,403</b>                  | <b>8,171</b>   | <b>8,171</b> | <b>83,104</b> |

## SOPS1.2 Analysis of net capital outturn by section

|   |              |          |              | 2016/17      |                                  |  | 2015/16    |
|---|--------------|----------|--------------|--------------|----------------------------------|--|------------|
|   |              |          |              | £000         |                                  |  | £000       |
|   | Outturn      |          |              | Estimate     |                                  |  | Outturn    |
|   | Gross        | Income   | Net          | Net          | Net total compared with estimate | Net total compared to Estimate, adjusted for virements | Net        |
| <b>Spending in Departmental Expenditure Limit</b> |              |          |              |              |                                  |  |            |
| Voted: A FSA Westminster (DEL)                    |              |          |              |              |                                  |  |            |
| Non-current assets                                | 1,237        | –        | 1,237        | 1,981        | 744                              | 744  | 827        |
| Capital Research & Development                    | 3,549        | –        | 3,549        | 3,731        | 182                              | 182  | –          |
|   | <b>4,786</b> | <b>–</b> | <b>4,786</b> | <b>5,712</b> | <b>926</b>                       | <b>926</b>   | <b>827</b> |

## SOPS2. Reconciliation of outturn to net operating expenditure

## SOPS2. Reconciliation of net resource outturn to net operating expenditure

|  |           | 2016/17       | 2015/16       |
|--|-----------|---------------|---------------|
|  |           | £000          | £000          |
|  | SoPS Note | Outturn       | Outturn       |
| Total resource outturn in Statement of Parliamentary Supply                          |           |               |               |
| Budget   | 1.1       | 80,232        | 83,104        |
| Non-Budget   | 1.1       | –             | –             |
|  |           | 80,232        | 83,104        |
| Add:   |           |               |               |
| Capitalised research and development   | 1.2       | 3,549         | –             |
| Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure |           | <b>83,781</b> | <b>83,104</b> |



### SOPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

|   |                  | Estimate      | Outturn       | Net total outturn compared with Estimate: saving/ (excess) |
|---|------------------|---------------|---------------|--|
|   | <b>SOPS Note</b> |               |               |  |
| <b>Resource Outturn</b>                               | 1.1              | 88,403        | 80,232        | 8,171  |
| <b>Capital Outturn</b>                                | 1.2              | 5,712         | 4,786         | 926  |
| <b>Accruals to cash adjustments:</b>                  |                  |               |               |  |
| Adjustments to remove non-cash items:                 |                  |               |               |  |
| Depreciation and amortisation                         | 5-6              | (2,487)       | (2,273)       | (214)  |
| New provisions and adjustments to previous provisions | 12               | (13,177)      | (7,857)       | (5,320)  |
| Other non-cash items                                  | 3                | (62)          | (62)          | –  |
| Adjustments to reflect movements in working balances: |                  |               |               |  |
| Increase/(decrease) in receivables                    | 10               | –             | (1,559)       | 1,559  |
| (Increase)/decrease in payables                       | 11               | 4,400         | 1,797         | 2,603  |
| Use of provisions                                     | 12               | 3,574         | 3,903         | (329)  |
| Cash contribution to pension deficit                  | 12               | –             | 1,792         | (1,792)  |
| <b>Net cash requirement</b>                           |                  | <b>86,363</b> | <b>80,759</b> | <b>5,604</b>   |

## PARLIAMENTARY ACCOUNTABILITY DISCLOSURES

The following information is subject to audit.

### Losses and Special Payments

One special payment has been made this year; its details are not being disclosed for legal reasons (2015/16 nil). There were no reportable losses in 2016/17 (2015/16 nil).

### Fees and Charges

An analysis of material programme income from services provided to external and public sector customers is as follows:

|   | 2016/17 |           |                       | 2015/16 |           |                       |
|---|---------|-----------|-----------------------|---------|-----------|-----------------------|
|   | £000    | £000      | £000                  | £000    | £000      | £000                  |
|   |         | Full Cost | Surplus/<br>(Deficit) | Income  | Full Cost | Surplus/<br>(Deficit) |
| Industry  | 21,745  | 46,936    | 25,191                | 24,733  | 48,981    | (24,248)              |
| Other Government Departments                            | 2,446   | 2,464     | (18)                  | 2,457   | 2,551     | (94)                  |
| Assessments and consultations on radioactive discharges | 1,143   | 1,467     | (324)                 | 1,237   | 1,558     | (321)                 |
|   | 25,334  | 50,867    | (25,533)              | 28,427  | 53,090    | (24,663)              |

The above information is provided to meet the Fees and Charges disclosure requirements of the FReM and has not been provided for Segmental Analysis purposes under IFRS 8.

The FSA's financial objective is to recover costs fully. There currently remains a shortfall between the costs for the FSA of delivering meat official controls and the income received from Food Business Operators (FBOs) for these controls. This is effectively a subsidy of £25.2m from the FSA to the meat industry. It should be noted that this figure includes some costs which are not included in the hourly charge rates for meat official controls because they are not included in the budget that is used to calculate the charge rates. This is because the FSA does not include certain costs in its budgeting, such as severance costs for operational staff, even though they are costs of meat official controls.

A new discount system, developed by the industry Steering Group on Meat Charging, was introduced from the start of 2016/17. The reform of the discount system had the intended effect of increasing operational efficiency and reducing gross operational costs by £2m.

### Remote Contingent Liabilities

In addition to contingent liabilities reported within the meaning of IAS 37 (Note 13), the department also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of a contingent liability. There were no remote contingent liabilities (2015/16 nil).

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Food Standards Agency for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Food Standards Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Food Standards Agency's affairs as at 31 March 2017 and of the Food Standards Agency's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**Date: 3rd July 2017**

# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2017

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values on non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

|   | Note | 2016/17<br>£000 | 2015/16<br>£000 |
|---|------|-----------------|-----------------|
| Income from sale of goods and services                | 4    | –               | –               |
| Other operating income                                | 4    | (32,636)        | (35,034)        |
| <b>Total operating income</b>                         |      | <b>(32,636)</b> | <b>(35,034)</b> |
| Staff costs   | 3    | 67,231          | 69,654          |
| Purchase of goods and services                        | 3    | 10,354          | 9,911           |
| Depreciation and impairment charges                   | 3    | 2,273           | 1,981           |
| Provision expense                                     | 3    | 5,903           | 4,305           |
| Other operating expenditure                           | 3    | 30,656          | 32,287          |
| <b>Total operating expenditure</b>                    |      | <b>116,417</b>  | <b>118,138</b>  |
| <b>Net operating expenditure</b>                      |      | <b>83,781</b>   | <b>83,104</b>   |
| <b>Net (gain)/loss on transfer by absorption</b>      |      | <b>–</b>        | <b>(11,290)</b> |
| Net expenditure                                       |      | <b>83,781</b>   | <b>71,814</b>   |
| Other comprehensive net expenditure                   |      |                 |                 |
| – Actuarial (gain)/loss on pension scheme liabilities | 12   | 9,738           | (15,801)        |
| <b>Comprehensive expenditure for the year</b>         |      | <b>93,519</b>   | <b>56,013</b>   |

The net gain on transfer by absorption is the net position of the assets and liabilities that were controlled by FSA Westminster at 31 March 2015 but then transferred to Food Standards Scotland (FSS) on 1 April 2015. More detailed information can be found in Note 2 of the published FSA Westminster 2015/16 Annual Report and Accounts at <https://www.food.gov.uk/sites/default/files/fsa-westminster-accounts-2015-16.pdf>

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

This statement presents the financial position of the Food Standards Agency. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

|   | Note | 2016/17<br>£000  | 2015/16<br>£000 |
|---|------|------------------|-----------------|
| <b>Non-current assets:</b>                  |      |                  |                 |
| Property, plant and equipment               | 5    | 2,251            | 3,168           |
| Intangible assets                           | 6    | 1,438            | 1,557           |
| <b>Total non-current assets</b>             |      | <b>3,689</b>     | <b>4,725</b>    |
| <b>Current assets</b>                       |      |                  |                 |
| Trade and other receivables                 | 10   | 3,676            | 4,659           |
| Other current assets                        | 10   | 4,979            | 5,555           |
| Cash  | 9    | 3,597            | 1,129           |
| <b>Total current assets</b>                 |      | <b>12,252</b>    | <b>11,343</b>   |
| <b>Total assets</b>                         |      | <b>15,941</b>    | <b>16,068</b>   |
| <b>Current Liabilities</b>                  |      |                  |                 |
| Trade and other payables                    | 11   | (1,598)          | (1,594)         |
| Provisions                                  | 12   | (2,556)          | (681)           |
| Other liabilities                           | 11   | (16,974)         | (13,372)        |
| Other payables                              | 11   | (2,686)          | –               |
| <b>Total current liabilities</b>            |      | <b>(23,814)</b>  | <b>(15,647)</b> |
| <b>Total Assets less total liabilities</b>  |      | <b>(7,873)</b>   | <b>421</b>      |
| <b>Non-current liabilities</b>              |      |                  |                 |
| Provisions                                  | 12   | (2,133)          | (4,055)         |
| Other payables                              | 11   |                  | (5,621)         |
| Net pension liability                       | 12   | (90,148)         | (78,201)        |
| <b>Total non-current liabilities</b>        |      | <b>(92,281)</b>  | <b>(87,877)</b> |
| <b>Total Assets less total liabilities</b>  |      | <b>(100,154)</b> | <b>(87,456)</b> |
| <b>Taxpayers' equity and other reserves</b> |      |                  |                 |
| General fund                                |      | (100,154)        | (87,456)        |
| <b>Total taxpayers' equity</b>              |      | <b>(100,154)</b> | <b>(87,456)</b> |



Jason Feeney  
Chief Executive and Accounting Officer

3 July 2017

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Food Standards Agency during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Food Standards Agency's future public service delivery.

|   |             | 2016/17<br>£000 | 2015/16<br>£000 |
|---|-------------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>   | <b>Note</b> |                 |                 |
| Net operating cost  | SOCNE       | (83,781)        | (83,104)        |
| Adjustment for non-cash transactions  | 3 & 12      | 10,504          | 10,197          |
| (Increase)/Decrease in trade and other receivables  | 10          | 1,559           | 101             |
| Increase/(Decrease) in trade and other payables   | 11          | 671             | (2,207)         |
| less movements relating to items not passing through the Statement of Comprehensive Net Expenditure   | 11          | (2,468)         | (123)           |
| Transfer of functions to FSS  |             | 0               | 21              |
| Use of provisions   | 12          | (3,903)         | (3,926)         |
| Provisions not required written back  | 12          | (312)           | (1,787)         |
| Cash contribution to pension deficit  | 12          | (1,792)         | (1,946)         |
| <b>Net cash outflow from operating activities</b>   |             | <b>(79,522)</b> | <b>(82,774)</b> |
| <b>Cash flows from investing activities</b>   |             |                 |                 |
| Purchase of property, plant and equipment   | 5           | (831)           | (134)           |
| Purchase of intangible assets   | 6           | (406)           | (731)           |
| <b>Net cash outflow from investing activities</b>   |             | <b>(1,237)</b>  | <b>(865)</b>    |
| <b>Cash flows from financing activities</b>   |             |                 |                 |
| From the Consolidated Fund (Supply)   |             | 83,227          | 83,762          |
| <b>Net Financing</b>  |             | <b>83,227</b>   | <b>83,762</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b> |             | <b>2,468</b>    | <b>123</b>      |
| <b>Cash at the beginning of the period</b>  | <b>9</b>    | <b>1,129</b>    | <b>1,006</b>    |
| <b>Cash at the end of the period</b>  | <b>9</b>    | <b>3,597</b>    | <b>1,129</b>    |



## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

### For the year ended 31 March 2017

This statement shows the movement in the year on the different reserves held by the Food Standards Agency, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

|  | Note | General<br>Fund<br>£000 | Total<br>Reserves<br>£000 |
|--|------|-------------------------|---------------------------|
| <b>Balance at 31 March 2015</b>            |      | <b>(115,144)</b>        | <b>(115,144)</b>          |
| Net Parliamentary Funding                  |      | 83,639                  | 83,639                    |
| Comprehensive net expenditure for the year |      | (83,104)                | (83,104)                  |
| Auditors remuneration                      | 3    | 62                      | 62                        |
| Transfer by absorption                     |      | 11,290                  | 11,290                    |
| Actuarial gain/(loss)                      | 12   | 15,801                  | 15,801                    |
| <b>Balance at 31 March 2016</b>            |      | <b>(87,456)</b>         | <b>(87,456)</b>           |
| Net Parliamentary Funding                  |      | 80,759                  | 80,759                    |
| Comprehensive net expenditure for the year |      | (83,781)                | (83,781)                  |
| Auditors remuneration                      | 3    | 62                      | 62                        |
| Actuarial gain/(loss)                      | 12   | (9,738)                 | (9,738)                   |
| <b>Balance at 31 March 2017</b>            |      | <b>(100,154)</b>        | <b>(100,154)</b>          |

# NOTES TO THE DEPARTMENTAL RESOURCE ACCOUNTS

## 1 Statement of Accounting Policies

### 1.1 Basis of Preparation

These financial statements have been prepared in accordance with the 2016/17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Food Standards Agency (FSA) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the FSA are described below. They have been applied consistently in dealing with items which are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the FSA to prepare an additional primary statement. The Statement of Parliamentary Supply and supporting notes in the Accountability Report show outturn against Estimate in terms of the Net Resource Requirement and the Net Cash Requirement.

### 1.2 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities where material.

### 1.3 Significant Accounting Policies and Material Judgements

Estimates and the underlying assumptions are reviewed on a regular basis by the FSA's senior management. Areas of significant judgement made by management are:

IAS37 Provisions – judgement is made on the best estimate of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

IAS36 Impairments – Management make judgement on whether there are any indications of impairments to the carrying amounts of the FSA's non-current assets and trade receivables through the management of a bad debt provision.

### 1.4 Non-Current Assets

Non-current assets are items of the Agency's property that have a value greater than or equal to £5,000 (inclusive of irrecoverable VAT) and have a useful life of greater than one year. The capitalisation policy applies to all construction, capital improvements which enhance the functionality of a building, major equipment purchases and other capital projects totalling £5,000

or more. This also applies to multiple low cost items of a similar nature which are functionally interdependent or collectively improve efficiency within the FSA. When consolidated, these create an asset to the Agency. If these collectively have a cost in excess of £5,000 and an intended useful period in excess of a year then the items are usually consolidated as one asset.

### 1.5 Property, Plant and Equipment

The FSA does not currently own any land or buildings. All property, plant and equipment assets are carried at depreciated historic cost as a proxy for fair value. This is in accordance with FReM requirements as these assets have short useful lives or low values or both. Assets under construction are not depreciated until the month after they are brought into use. All assets are owned.

### 1.6 Intangible Assets

Computer software and software licences with a purchase cost in excess of £5,000 (including irrecoverable VAT and delivery) are capitalised at cost and amortised over the life of the licence, or over 7 years if the licence is bought in perpetuity. Intangible assets under construction are not amortised until the month after they are brought into use. The FSA has developed an external facing website ([www.food.gov.uk](http://www.food.gov.uk)) primarily for the promoting and advertising of its own services. This website will not generate future economic benefits and consequently all expenditure incurred on developing it is recognised as an expense as it occurs and is not capitalised.

### 1.7 Depreciation and Amortisation

Assets are depreciated from the month following the date of being available for use. Depreciation and amortisation are applied on a straight-line basis to write off costs evenly over the asset's anticipated life. Estimated useful lives are reviewed during the year and assets are assigned new end of useful life dates where applicable. The below information shows the useful lives of the assets currently on the non-current asset register.

|   | 2016/17      | 2015/16      |
|---|--------------|--------------|
| Property, plant and equipment           |              |              |
| Computer equipment                      | 1 – 5 years  | 2 – 5 years  |
| Office equipment                        | 4 – 10 years | 4 – 10 years |
| Furniture, fixtures and fittings        | 2 – 8 years  | 2 – 8 years  |
| Intangible assets:                      |              |              |
| Computer software and software licences | 2 – 7 years  | 2 – 7 years  |

### 1.8 Research & Development Expenditure

Expenditure on research is not capitalised within the accounts. Expenditure on development in connection with a product or service which is to be supplied on a full cost recovery basis is capitalised if it meets those criteria specified in IAS38. Most research projects have a retention clause to ensure the satisfactory delivery of the final report. The FSA's policy is to accrue for the final retention amount if the work has been completed at the year end.

## 1.9 Operating Income

Operating income is income which relates directly to the operating activities of the FSA. Income for the year is recognised on an accruals basis reflecting the value of the work undertaken and is shown net of VAT. The FSA has income from meat official controls and related work, milk and dairies sampling and from assessments and consultations on radioactive discharges.

Income from meat official controls and related work is recognised as time recorded by staff multiplied by charging rates and invoiced to both industry and government customers. For the majority of meat industry customers discounts are applied to charges.

Income from milk and dairies sampling work is based on invoiced amounts raised by the FSA for the testing of raw cows' drinking milk. Income from assessments and consultations on radioactive discharges is recognised on the basis of work done against a series of Service Level Agreements (SLAs). In addition, staff time in relation to any work with regards to these SLAs is recorded and charged accordingly.

## 1.10 Pensions

FSA past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme. The defined benefit scheme is unfunded. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the scheme, the Department recognises the contributions payable for the year. Further details can be found in the resource accounts of the Cabinet Office: Civil Superannuation and at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

There are currently 345 FSA employees who are active members of the Local Government Pension Scheme (LGPS). LGPS is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 2005, and administered by London Pension Fund Authority. The scheme is subject to regular valuations by an independent, professionally qualified actuary. These determine the level of contributions required to fund future benefits. The LGPS changed to a career average revalued earnings basis as of 1 April 2014 with a change of retirement age from 65 to that of the individual member's state pension age. All pensions in payment or built up before April 2014 are protected.

Pension assets and liabilities attributable to the FSA in the LGPS are recorded in line with IAS19 with a valuation undertaken annually to measure the value of pension assets and liabilities at the Statement of Financial Position date, determining the benefits accrued in the year and the interest on assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Statement of Comprehensive Net Expenditure and the interest on scheme assets and liabilities is included within interest receivable/payable. The change in value of assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability or asset is shown on the Statement of Financial Position. The IAS19 valuation includes sensitivity analysis and the potential impact and this information can be found in Note 12.4.5.

Pension liabilities in the Board Pension Scheme are calculated by the Government Actuary's Department and a valuation is undertaken annually. The change in value of pension liabilities arising from changes in benefits or actuarial assumptions is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability is shown in the Statement of Financial Position.

Further details about LGPS pensions can be found at the website [www.lgps.org.uk](http://www.lgps.org.uk).

The contributions to PCSPS are set out in the Accountability Report and the costs in relation to the LGPS scheme are in Note 12.

### 1.11 Operating Leases

All operating leases are accounted for under IAS17 Leases. Classification is made at the inception of the relevant lease.

Operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease. The FSA holds a significant lease for its rental of Avitaion House, intending to vacate at a break point in February 2018. FSA sub-lets areas of the building to tenants including other government departments. Operating lease incentives received are held as a non-current liability (Note 11) and recognised as a reduction in the rental expenses and are allocated over the lease term on a straight-line basis. The FSA does not currently have any finance lease liabilities.

### 1.12 Value Added Tax

The net amount of Value Added Tax (VAT) due to or from Her Majesty's Revenue and Customs is shown as a receivable or payable on the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure, or if it is incurred on the purchase of a non-current asset, it is capitalised in the cost of the asset.

### 1.13 Provisions

Provisions are recognised in accordance with IAS37. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation, arising from a past event, at the Statement of Financial Position date.

The Early Retirement and Westminster Dilapidation provisions have been discounted at the rates set by HM Treasury. Other provisions have not been discounted as the resulting adjustments are not considered material to these accounts.

### 1.14 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS37, the FSA discloses, for parliamentary reporting and accountability purposes, certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. The rules for notifying liabilities to parliament are:

- there is no need to tell parliament about:
  - new liabilities arising under statutory powers unless the legislation calls for it;

- liabilities taken on in the normal course of business, except for those not in standard form and above £300,000;
- departments should notify parliament of:
  - statutory liabilities, in the form expected by the legislation;
  - any liability outside the normal course of business and above £300,000;
  - any liability of a non-standard kind undertaken in the normal course of business;
  - any liability which is novel, contentious or significant in relation to the organisation's (of the particular programme) expenditure, which is large and unquantifiable.

### 1.15 Financial Assets and Liabilities

The FSA holds the following financial assets and liabilities:

#### 1) Assets

- Trade and other receivables
- Other current assets
- Cash and cash equivalents

#### 2) Liabilities

- Trade and other payables
- Other Liabilities
- Provisions

Financial Assets and Liabilities are accounted for under IAS32, Financial Instruments: Presentation, IAS39 Financial Instruments: Recognition and Measurement and IFRS7 Financial Instruments: Disclosure.

Cash balances are measured as the amounts received in FSA's bank account. The FSA does not currently have cash equivalents. Trade receivables are measured at fair value with an impairment review carried out on a monthly basis. Trade and other payables are measured at fair value, with use of agreed invoiced amount, or management estimate in the case of accrued expenditure, forming the basis for valuation.

## 2 Net Costs by Group

| Group                         |                |              |               |               | 2016/17            | 2015/16            |
|-------------------------------|----------------|--------------|---------------|---------------|--------------------|--------------------|
|                               | Administration |              | Programme     |               | Net operating cost | Net operating cost |
|                               | Costs          | Income       | Costs         | Income        |                    |                    |
|                               | £000           | £000         | £000          | £000          | £000               | £000               |
| Private Office and Board      | 1,018          | –            | –             | –             | 1,018              | 1,331              |
| Regulatory and Legal Strategy | 3,745          | 22           | –             | –             | 3,723              | 2,593              |
| Openness, Data and Digital    | 9,669          | 49           | 1,233         | –             | 10,853             | 8,641              |
| Policy and Science            | 6,514          | 168          | 8,179         | 1,208         | 13,317             | 19,075             |
| Operations                    | 540            | –            | 51,797        | 24,260        | 28,077             | 27,444             |
| Finance and Performance       | 14,675         | 6,889        | –             | –             | 7,786              | 8,352              |
| Organisational Development    | 1,105          | –            | –             | –             | 1,105              | 1,267              |
| Regulatory Delivery Division  | 3,570          | –            | 5,259         | 5             | 8,824              | 7,586              |
| Centrally Managed             | 2,830          | 35           | 6,283         | –             | 9,078              | 6,815              |
| <b>Totals</b>                 | <b>43,666</b>  | <b>7,163</b> | <b>72,751</b> | <b>25,473</b> | <b>83,781</b>      | <b>83,104</b>      |

The FSA identifies reportable segments, Groups and Devolved Authorities, that reflect the organisational structure. The financial system also reflects the organisational structure and enables income and expenditure to be analysed and reported by segment. Segmental operating results are reviewed by the FSA Executive Management Team to make decisions on segmental resources and assess performance.

Groups derive income from the following activities or services:

Regulatory and Legal Strategy – Sundry services

Openness, Data and Digital – Sundry services and secondments

Policy and Science – Assessments/consultations on radioactive discharges and Integrated Advice for Consumers

Operations – Meat hygiene inspections, approvals and delivery of official controls, testing and sampling

Finance and Performance – Sub-letting of accommodation, recovered court costs and sundry services

Centrally Managed – Recovered court costs and fees

Regulatory Delivery Division – sundry services

Inter-segmental transactions are accounted for within the financial system by way of journal between the relevant segments.

### 3 Expenditure

|   | 2016/17<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|
| <b>Staff Costs</b>  |                 |                 |
| Wages and salaries  | 35,137          | 37,295          |
| Social security costs   | 3,717           | 2,986           |
| Other pension costs   | 6,715           | 7,007           |
| Agency Staff  | 1,076           | 799             |
| Contract inspectors and veterinary costs                            | 20,586          | 21,567          |
|   | 67,231          | 69,654          |
| <b>Goods and services</b>   | 10,354          | 9,911           |
|   | 10,354          | 9,911           |
| <b>Depreciation and impairment charges: Non-cash</b>                |                 |                 |
| Depreciation  | 1,748           | 1,574           |
| Amortisation  | 525             | 369             |
| Loss on disposal of property, plant and equipment                   | 0               | 38              |
|   | 2,273           | 1,981           |
| <b>Provision expense</b>  | 5,903           | 4,305           |
|   | 5,903           | 4,305           |
| <b>Other operating expenditure</b>                                  |                 |                 |
| Rentals under operating leases                                      | 6,697           | 6,836           |
| ICT outsourcing, maintenance and support of networks and systems*   | 6,364           | 4,959           |
| Travel & Subsistence, Hospitality and Conference costs              | 3,186           | 2,521           |
| Accommodation costs including rates, estate management and security | 3,551           | 3,700           |
| Operational costs (laundry, sampling and equipment)                 | 1,501           | 1,868           |
| Grants  | 2,466           | 2,643           |
| Research and Development expenditure**                              | 2,519           | 6,763           |
| Training and Development  | 282             | 353             |
| Legal costs   | 239             | 533             |
| HR, Payroll and Pension services                                    | 371             | 364             |
| Stationery, Printing and Postage                                    | 257             | 201             |
| Welfare costs   | 90              | 86              |
| Other   | 3,071           | 1,398           |
| Non-cash items: Auditors' remuneration and expenses                 | 62              | 62              |
|   | 30,656          | 32,287          |
|   | <b>116,417</b>  | <b>118,138</b>  |

\* Relevant Central IT costs are recharged to Devolved Offices from FSA Westminster

\*\* The European System of Accounts (ESA 10) was implemented in Public Sector Accounts from April 2016. The standard mandates a narrower definition of Research & Development expenditure than FSA used previously. This has resulted in a transfer between lines in the above note to Goods and Services.



## 4 Income

Operating income, analysed by classification and activity, is as follows:

|  | <b>2016/17</b> | <b>2015/16</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Income for official controls charged to industry                     | 21,745         | 24,733         |
| Income for sub-letting of accommodation space                        | 6,874          | 6,066          |
| Income for meat hygiene work charges to other government departments | 2,446          | 2,457          |
| Assessments and consultations on radioactive discharges              | 1,143          | 1,237          |
| Secondment income  | 203            | 85             |
| Milk and Dairy Hygiene – sampling                                    | 41             | 27             |
| Other income   | 184            | 429            |
| <b>Total income</b>  | <b>32,636</b>  | <b>35,034</b>  |

## 5 Plant and equipment

|   | 2016/17                             |                             |                               |               |
|---|-------------------------------------|-----------------------------|-------------------------------|---------------|
|   | Fixtures<br>and<br>Fittings<br>£000 | Office<br>Equipment<br>£000 | Computer<br>Equipment<br>£000 | Total<br>£000 |
| <b>Cost or valuation</b>                    |                                     |                             |                               |               |
| Cost at 1 April 2016                        | 2,293                               | 137                         | 4,190                         | 6,620         |
| Additions                                   | 14                                  | –                           | 817                           | 831           |
| Disposals                                   | –                                   | –                           | (223)                         | (223)         |
| <b>At 31 March 2017</b>                     | <b>2,307</b>                        | <b>137</b>                  | <b>4,784</b>                  | <b>7,228</b>  |
| <b>Depreciation</b>                         |                                     |                             |                               |               |
| Cost at 1 April 2016                        | 1,118                               | 80                          | 2,254                         | 3,452         |
| Charged in year                             | 597                                 | 26                          | 1,125                         | 1,748         |
| Disposals                                   | –                                   | –                           | (223)                         | (223)         |
| <b>At 31 March 2017</b>                     | <b>1,715</b>                        | <b>106</b>                  | <b>3,156</b>                  | <b>4,977</b>  |
| <b>Carrying amount at<br/>31 March 2017</b> | <b>592</b>                          | <b>31</b>                   | <b>1,628</b>                  | <b>2,251</b>  |
| <b>Carrying amount at<br/>31 March 2016</b> | <b>1,175</b>                        | <b>57</b>                   | <b>1,936</b>                  | <b>3,168</b>  |
| <b>Asset financing</b>                      |                                     |                             |                               |               |
| Owned                                       | 592                                 | 31                          | 1,628                         | 2,251         |
| <b>Carrying amount at<br/>31 March 2017</b> | <b>592</b>                          | <b>31</b>                   | <b>1,628</b>                  | <b>2,251</b>  |

|   | 2016/17                             |                             |                               |               |
|---|-------------------------------------|-----------------------------|-------------------------------|---------------|
|   | Fixtures<br>and<br>Fittings<br>£000 | Office<br>Equipment<br>£000 | Computer<br>Equipment<br>£000 | Total<br>£000 |
| <b>Cost or valuation</b>                    |                                     |                             |                               |               |
| Cost at 1 April 2015                        | 2,245                               | 137                         | 4,104                         | 6,486         |
| Additions                                   | 48                                  | –                           | 86                            | 134           |
| Disposals                                   | –                                   | –                           | –                             | –             |
| <b>At 31 March 2016</b>                     | <b>2,293</b>                        | <b>137</b>                  | <b>4,190</b>                  | <b>6,620</b>  |
| <b>Depreciation</b>                         |                                     |                             |                               |               |
| Cost at 1 April 2015                        | 515                                 | 54                          | 1,309                         | 1,878         |
| Charged in the year                         | 603                                 | 26                          | 945                           | 1,574         |
| Disposals                                   | –                                   | –                           | –                             | –             |
| <b>At 31 March 2016</b>                     | <b>1,118</b>                        | <b>80</b>                   | <b>2,254</b>                  | <b>3,452</b>  |
| <b>Carrying amount at<br/>31 March 2016</b> | <b>1,175</b>                        | <b>57</b>                   | <b>1,936</b>                  | <b>3,168</b>  |
| <b>Asset financing</b>                      |                                     |                             |                               |               |
| Owned                                       | 1,175                               | 57                          | 1,936                         | 3,168         |
| <b>Carrying amount at<br/>31 March 2016</b> | <b>1,175</b>                        | <b>57</b>                   | <b>1,936</b>                  | <b>3,168</b>  |

## 6 Intangible assets

Intangible assets comprise computer software and software licences

|   | 2016/17<br>Computer<br>software and<br>software<br>licences<br>£000 |
|---|---|
| <b>Cost or valuation</b>                |   |
| Cost at 1 April 2016                    | 3,217   |
| Additions                               | 406   |
| Disposals                               | (919)   |
| <b>At 31 March 2017</b>                 | <b>2,704</b>  |
| <b>Amortisation</b>                     |   |
| Cost at 1 April 2016                    | 1,660   |
| Charged in year                         | 525   |
| Disposals                               | (919)   |
| <b>At 31 March 2017</b>                 | <b>1,266</b>  |
| <b>Carrying amount at 31 March 2017</b> | <b>1,438</b>  |
| <b>Carrying amount at 31 March 2016</b> | <b>1,557</b>  |
|   | <b>2015/16</b>  |
| <b>Cost or valuation</b>                |   |
| Cost at 1 April 2015                    |   |
| Additions                               | 2,524   |
| Disposals                               | 731   |
| <b>At 31 March 2016</b>                 | <b>(38)</b>   |
|   | <b>3,217</b>  |
| <b>Amortisation</b>                     |   |
| Cost at 1 April 2015                    |   |
| Charged in year                         | 1,291   |
| Disposals                               | 369   |
| <b>At 31 March 2016</b>                 | <b>–</b>  |
|   | <b>1,660</b>  |
| <b>Carrying amount at 31 March 2016</b> | <b>1,557</b>  |

## 7 Capital and other commitments

### 7.1 Capital commitments

At 31 March 2017 there were no commitments for the purchase of capital items (31 March 2016 £504k).

### 7.2 Commitments under leases

#### 7.2.1 Operating leases

Total future minimum payments under operating leases are given in the table below for each of the following periods.

|   | 2016/17<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|
| <b>Obligations under operating leases comprise:</b> |                 |                 |
| <b>Land and buildings:</b>                          |                 |                 |
| Not later than one year                             | 8,289           | 9,355           |
| Later than one year and not later than five years   | 242             | 9,595           |
| Later than five years                               | –               | –               |
|   | <b>8,531</b>    | <b>18,951</b>   |
| <b>Other:</b>                                       |                 |                 |
| Not later than one year                             | 120             | 120             |
| Later than one year and not later than five years   | 115             | 99              |
|   | <b>235</b>      | <b>219</b>      |

The FSA lease arrangements do not contain any contingent rents payable, terms of renewal or purchase options, escalation clauses or any imposed restrictions (such as those concerning dividends, additional debt or further leasing).

Total future minimum lease rental income from Ofsted, Medical Research Council (MRC), Government Digital Service (GDS), Cabinet Office and Oil and Pipelines Agency is given in the table below for each of the following periods.

|  | 2016/17<br>£000 | 2015/16<br>£000 |
|--|-----------------|-----------------|
| <b>Total future minimum lease rental income from Ofsted, MRC, GDS, Cabinet Office and Oil and Pipelines Agency</b> |                 |                 |
| Not later than one year  | 4,219           | 5,351           |
| Later than one year and not later than five years  | –               | 4,891           |
| Later than five years  | –               | –               |
|  | <b>4,219</b>    | <b>10,242</b>   |

### 7.3 Other financial commitments

The FSA did not have any other financial commitments as at 31 March 2017.

## 8 Financial Instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the FSA's expected purchase and usage requirements and the FSA is therefore exposed to little credit, liquidity or market risk.

## 9 Cash

|  | 2016/17<br>£000 | 2015/16<br>£000 |
|--|-----------------|-----------------|
| Balance at 1 April                       | 1,129           | 1,006           |
| Net changes in cash and cash equivalents | 2,468           | 123             |
| <b>Balance at 31 March</b>               | <b>3,597</b>    | <b>1,129</b>    |

|  | 2015/16<br>£000 | 2014/15<br>£000 |
|--|-----------------|-----------------|
| The following balances at 31 March were held at: |                 |                 |
| Government Banking Service                       | 3,597           | 1,129           |
| <b>Balance at 31 March</b>                       | <b>3,597</b>    | <b>1,129</b>    |

## 10 Trade receivables, financial and other current assets

|   | 2016/17<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|
| <b>Amounts falling due within one year:</b>                 |                 |                 |
| Trade receivables   | 1,627           | 2,381           |
| VAT recoverable   | 1,996           | 2,175           |
| Other receivables   | 53              | 103             |
|   | <b>3,676</b>    | <b>4,659</b>    |
| Other current assets:                                       |                 |                 |
| Prepayments and accrued income                              | 4,979           | 5,555           |
| Amounts due from the Consolidated Fund in respect of supply | –               | –               |
|   | <b>4,979</b>    | <b>5,555</b>    |
|   | <b>8,655</b>    | <b>10,214</b>   |

## 11 Trade payables and other current liabilities

|  | 2016/17<br>£000 | 2015/16<br>£000 |
|--|-----------------|-----------------|
| <b>Amounts falling due within one year</b>                                     |                 |                 |
| Other taxation and social security   | –               | 4               |
| Trade payables   | 1,598           | 1,578           |
| Other payables   | –               | 12              |
|  | <b>1,598</b>    | <b>1,594</b>    |
| <b>Other current liabilities:</b>  |                 |                 |
| Accruals and deferred income   | 13,377          | 12,243          |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | 3,597           | 1,129           |
|  | <b>16,974</b>   | <b>13,372</b>   |
| <br>   |                 |                 |
| Lease adjustment as per IAS 17   | 2,686           | –               |
|  | <b>2,686</b>    | <b>–</b>        |
|  | <b>21,258</b>   | <b>14,966</b>   |
| <br>   |                 |                 |
| <b>Amounts falling due after one year</b>                                      |                 |                 |
| Lease adjustment as per IAS 17   | –               | 5,621           |
|  | <b>–</b>        | <b>5,621</b>    |

## 12 Provisions for liabilities and charges

### Pension provisions

|  | 2016/17<br>£000  |                 |               | 2015/16<br>£000  |                 |               |
|--|------------------|-----------------|---------------|------------------|-----------------|---------------|
|  | Board<br>Pension | LGPS<br>Pension | Total         | Board<br>Pension | LGPS<br>Pension | Total         |
| Net pension liability at 1 April         | 815              | 77,386          | 78,201        | 995              | 100,833         | 101,828       |
| Transfer of FSS                          | –                | –               | –             | (168)            | (10,844)        | (11,012)      |
| Total service and interest costs         | 29               | 5,990           | 6,019         | 29               | 7,278           | 7,307         |
| Employer contributions                   | (31)             | (1,987)         | (2,018)       | (31)             | (2,144)         | (2,175)       |
| Deficit payment                          | –                | (1,792)         | (1,792)       | –                | (1,946)         | (1,946)       |
| Actuarial (gain)/loss                    | 118              | 9,620           | 9,738         | (10)             | (15,791)        | (15,801)      |
| <b>Net pension liability at 31 March</b> | <b>931</b>       | <b>89,217</b>   | <b>90,148</b> | <b>815</b>       | <b>77,386</b>   | <b>78,201</b> |

## Early departure and other provisions

|   | 2016/17<br>£000 |              |               | 2015/16<br>£000 |              |               |
|---|-----------------|--------------|---------------|-----------------|--------------|---------------|
|   | Early departure | Legal claims | Dilapidations | Early departure | Legal claims | Dilapidations |
| <b>Balance at 1 April</b>               | 2,908           | 67           | 1,761         | 3,520           | 1,078        | 3,086         |
| Transfer of FSS                         | –               | –            | –             | (257)           | –            | –             |
| Provided in the year                    | 503             | 1,647        | –             | 219             | 628          | –             |
| Provisions not required written back    | (43)            | (269)        | –             | (89)            | (401)        | (1,297)       |
| Provisions utilised in the year         | (622)           | (1,296)      | –             | (528)           | (1,238)      | –             |
| Borrowing costs (unwinding of discount) | 40              | –            | (7)           | 43              | –            | (28)          |
| <b>Balance at 31 March</b>              | <b>2,786</b>    | <b>149</b>   | <b>1,754</b>  | <b>2,908</b>    | <b>67</b>    | <b>1,761</b>  |

## Analysis of expected timing of discounted flows (excluding LGPS and Board pension provisions)

|   | 2016/17<br>£000 |              |               |              |
|---|-----------------|--------------|---------------|--------------|
|   | Early departure | Legal claims | Dilapidations | Total        |
| within one year                               | 653             | 149          | 1,754         | 2,556        |
| <b>Total current provisions liability</b>     | <b>653</b>      | <b>149</b>   | <b>1,754</b>  | <b>2,556</b> |
| between one and five years                    | 968             | –            | –             | 968          |
| between five and ten years                    | 547             | –            | –             | 547          |
| thereafter                                    | 618             | –            | –             | 618          |
| <b>Total non-current provisions liability</b> | <b>2,133</b>    | <b>–</b>     | <b>–</b>      | <b>2,133</b> |
| <b>Provisions balance at 31 March 2017</b>    | <b>2,786</b>    | <b>149</b>   | <b>1,754</b>  | <b>4,689</b> |

The aforementioned respective provisions for early departure, pension, dilapidations and legal claims have all been reviewed for the overall purpose of meeting reporting requirements outlined within IAS37 Provisions, Contingent Liabilities and Contingent Assets.

As a result it was confirmed that, under the existing accounting policy for Provisions, the appropriate recognition criteria and measurement bases are already being applied and that sufficient information has been disclosed.

### 12.1 Early departure costs

Early departure cost refers to liabilities to staff for early retirement. The FSA meets the additional costs of benefits beyond the normal PCSPS and LGPS benefits in respect of employees who retire early by paying the required amounts annually to the pension fund over the period between early departure and normal retirement date. The FSA provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 0.24% (2015/16 1.37%) in real terms.

## 12.2 Other

### Legal Claims

A provision has been created to cover legal issues affecting the FSA. The different elements to this are described below.

The FSA holds a provision for personal injury claims to cover the estimated amounts required to settle the claims and costs for which the FSA has admitted liability. Claims against the FSA where liability has been denied are not included. There is also a provision for a potential claim from HMRC in respect of underpaid VAT from prior years.

### Dilapidations

A provision has been created in respect of estimated dilapidation costs for Aviation House in London. The provision has been created based on independent survey carried out by a third party and is discounted by the short-term HM Treasury rate of (2.7)%.

## 12.3 FSA Board Pension Provision

The FSA Board pension provision is a 'by-analogy' pension scheme to the Principal Civil Service Pension Scheme (PCSPS) so follows the rules of the PCSPS but is independent from it . The pension arrangements are unfunded with benefits being paid as they fall due and are guaranteed by the FSA. There is no fund and therefore no surplus or deficit. The payments are inflation-linked and are expected to be made over the remaining lifetimes of the current scheme members. The methodology and results of the assessment were undertaken by the Government Actuary's Department (GAD) and is in accordance with IAS19 and the FReM governing UK Accounting for Departments/NDPBs.

The capitalised value of the pension benefits payable by the FSA's Pension Schemes as at 31 March 2017 is £931,000 (2015/16 £815,000).

It is likely that the current scheme liabilities will gradually decrease over time, as the expected pension payments are made to the scheme members

In the short-term changes in the scheme liability may be primarily driven by the assumptions used for future assessments (particularly the financial assumptions prescribed by HM Treasury).



## Financial assumptions

Liabilities are valued on an actuarial basis using the Projected Unit Method. The main actuarial assumptions are as follows:

|   | 31/03/17 | 31/03/16 |
|---|----------|----------|
| Discount rate                           | 2.80%    | 3.60%    |
| Rate of increase in salaries            | n/a      | 4.20%    |
| Rate of increase in pensions in payment | 1.00%    | 2.20%    |
| CPI inflation assumption                | 2.55%    | 2.20%    |

## Mortality

Life expectancy is based on the actuarial PA92-10 tables. Based on these assumptions, the average life expectancies at age 65 are summarised below.

|                    | 31 March 17 |            | 31 March 16 |            |
|--------------------|-------------|------------|-------------|------------|
|                    | Males       | Females    | Males       | Females    |
| Current Pensioners | 24.0 years  | 25.8 years | 23.9 years  | 25.7 years |

## Present value of scheme liabilities

|                         | Value at<br>31/03/17<br>£'000 | Value at<br>31/03/16<br>£'000 | Value at<br>31/03/15<br>£'000 | Value at<br>31/03/14<br>£'000 | Value at<br>31/03/13<br>£'000 |
|-------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Liability in respect of |                               |                               |                               |                               |                               |
| Active members          | –                             | –                             | –                             | –                             | (52)                          |
| Deferred pensioners     | (235)                         | (197)                         | (199)                         | (228)                         | (196)                         |
| Current pensioners      | (696)                         | (618)                         | (796)                         | (693)                         | (617)                         |
|                         | (931)                         | (815)                         | (995)                         | (921)                         | (865)                         |

## Analysis of movement in scheme liability

|  | 2016/17<br>£'000 | 2015/16<br>£'000 |
|--|------------------|------------------|
| <b>Scheme liability at 1 April</b>                   | (815)            | (995)            |
| <b>Movement in the year:</b>                         |                  |                  |
| Current service cost (net of employee contributions) | –                | –                |
| Interest cost  | (29)             | (29)             |
| Actuarial (Loss)/Gain                                | (118)            | 10               |
| Benefits paid  | 31               | 31               |
| Net settlement in relation to FSS                    | –                | 168              |
| <b>Net pension liability at 31 March</b>             | (931)            | (815)            |

**Analysis of amount charged to operating profit**

|  | 2016/17<br>£'000 | 2015/16<br>£'000 |
|--|------------------|------------------|
| Current service cost (net of employee contributions) | –                | –                |
| Interest cost  | (29)             | (29)             |
|  | (29)             | (29)             |

**Analysis of amounts to be recognised in Statement of Changes in Taxpayers' Equity**

|   | 2016/17<br>£'000 | 2015/16<br>£'000 |
|---|------------------|------------------|
| Experience (losses)/gains arising on the scheme liabilities                                 | 7                | (14)             |
| Changes in financial assumptions underlying the present value of scheme liabilities         | (125)            | 24               |
| Net total actuarial (loss)/gain recognised in the statement of changes in taxpayers' equity | (118)            | 10               |

**History of experience gains and losses**

|  | 2016/17 | 2015/16 | 2014/15 | 2013/14 |
|--|---------|---------|---------|---------|
| Experience (losses)/gains on scheme liabilities: |         |         |         |         |
| Amount (£000)                                    | 7       | (14)    | (50)    | 8       |
| Percentage of scheme liabilities                 | 0.8%    | (1.7%)  | (5.0%)  | (0.9%)  |

**12.4 Provision for pension liability**

12.4.1 The Local Government Pension Scheme is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. For the year ended 31 March 2017, contributions of £2.0m (2015/16 £2.1m) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2017, this rate was 16.7% (2015/16 16.7%) of pensionable remuneration.

On the basis of the full actuarial valuation the FSA Fund deficit was £13.5m as at March 2016 (March 2013 £20.8m). The Agency agreed to increase the funding to the scheme, payable for 12 years from 2014. For 2016/17 and additional deficit reduction amount of £1.8m was paid and for 2017/18 £1.4m will be paid.

The next full actuarial review of the scheme will show the position at 31 March 2019. This triennial valuation process will be carried out in the summer of 2019 and will determine the FSA's employer contribution rate for a three year period starting 1 April 2020, including the deficit payment.

An updated valuation, under IAS19 criteria, resulted in a calculated deficit of £89.2m as at 31 March 2017 compared with a calculated deficit of £77.4m as at 31 March 2016.

The projected unit method of valuation has been used to calculate the service cost under IAS19.

The actuary has estimated the employer's contributions for 2017/18 to be £2.2m.

## Financial Assumptions

The major financial assumptions used by the actuary when providing the assessment of the accrued liabilities as at the following dates for the Resource Accounting assessments were:

|  | 31/03/17 | 31/03/16 |
|--|----------|----------|
| Inflation/ Pension increase rate (RPI) | 3.5%     | 3.3%     |
| Inflation/ Pension increase rate (CPI) | 2.6%     | 2.4%     |
| Salary Increases                       | 4.1%     | 4.2%     |
| Pension Increases                      | 2.6%     | 2.4%     |
| Discount Rate                          | 2.7%     | 3.7%     |

## Mortality

The post retirement mortality is based on the Club Vita mortality analysis. Based on these assumptions, the average life expectancies at age 65 are summarised below.

|                      | 31/03/17 |         | 31/03/16 |         |
|----------------------|----------|---------|----------|---------|
|                      | Males    | Females | Males    | Females |
| Retiring today       | 21.6     | 24.2    | 22.1     | 24.9    |
| Retiring in 20 years | 24.0     | 26.4    | 24.4     | 27.2    |

## Movement in liabilities

|  | 2016/17<br>£'000 | 2015/16<br>£'000 |
|--|------------------|------------------|
| <b>Opening Defined Benefit Obligation</b>            | <b>202,262</b>   | <b>244,513</b>   |
| Current service cost                                 | 3,031            | 3,912            |
| Interest cost  | 7,389            | 7,080            |
| Change in financial assumptions                      | 39,285           | (15,786)         |
| Change in demographic assumptions                    | 2,230            | –                |
| Experience loss/(gain) on defined benefit obligation | (10,115)         | (5,189)          |
| Liabilities assumed/(extinguished) on settlements    | –                | (27,825)         |
| Estimated benefits paid net of transfers in          | (5,770)          | (5,353)          |
| Past service costs, including curtailments           | 3                | 242              |
| Contributions by Scheme participants                 | 740              | 806              |
| Unfunded pension payments                            | (138)            | (138)            |
| <b>Closing Defined Benefit Obligation</b>            | <b>238,917</b>   | <b>202,262</b>   |

**Movement in assets**

|   | <b>2016/17</b> | <b>2015/16</b> |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| <b>Opening Fair Value of Employer's Assets</b>            | <b>124,876</b> | <b>143,680</b> |
| Interest on assets  | 4,595          | 4,172          |
| Return on assets less interest                            | 20,929         | (5,184)        |
| Other actuarial gains/(losses)                            | 851            | –              |
| Administration expenses                                   | (162)          | (216)          |
| Contributions by Employer including unfunded              | 3,779          | 4,090          |
| Contributions by Scheme participants                      | 740            | 806            |
| Estimated benefits paid plus unfunded net of transfers in | (5,908)        | (5,491)        |
| Settlement prices received/(paid)                         | –              | (16,981)       |
| <b>Closing Fair Value of Employer Assets</b>              | <b>149,700</b> | <b>124,876</b> |

The assets in the scheme and the expected rate of return were:

|                                     | <b>Value at</b> | <b>%</b>           | <b>Value at</b> | <b>%</b>           |
|-------------------------------------|-----------------|--------------------|-----------------|--------------------|
|                                     | <b>31/03/17</b> | <b>at 31/03/17</b> | <b>31/03/16</b> | <b>at 31/03/16</b> |
|                                     | <b>£000</b>     |                    | <b>£000</b>     |                    |
| Equities                            | 88,703          | 60%                | 58,010          | 46%                |
| LDI/Cashflow matching               | –               | 0%                 | 12,659          | 10%                |
| Target return portfolio             | 31,632          | 21%                | 26,563          | 21%                |
| Infrastructure                      | 7,882           | 5%                 | 6,841           | 5%                 |
| Commodities                         | –               | 0%                 | 558             | 1%                 |
| Property                            | 7,632           | 5%                 | 4,456           | 4%                 |
| Cash                                | 13,851          | 9%                 | 15,789          | 13%                |
| Market value of assets              | 149,700         | 100%               | 124,876         | 100%               |
| Present value of scheme liabilities | (238,917)       |                    | (202,262)       |                    |
| Net pension liability               | (89,217)        |                    | (77,386)        |                    |

**12.4.2 Movement in deficit during the year**

|  | <b>2016/17</b>  | <b>2015/16</b>  |
|--|-----------------|-----------------|
|  | <b>£000</b>     | <b>£000</b>     |
| Scheme liability at 1 April                      | (77,386)        | (100,833)       |
| Service cost                                     | (3,031)         | (3,912)         |
| Administration expenses                          | (162)           | (216)           |
| Employer contributions                           | 1,987           | 2,144           |
| Payment of deficit                               | 1,792           | 1,946           |
| Past service cost                                | (3)             | (242)           |
| Other finance net interest charged (note 12.4.3) | (2,794)         | (2,908)         |
| Actuarial (loss)/gain (note 12.4.4)              | (9,620)         | 15,791          |
| Net settlement in relation to FSS                | –               | 10,844          |
| Net pension liability                            | <b>(89,217)</b> | <b>(77,386)</b> |

**12.4.3 Analysis of the amount charged to operating deficit**

|   | 2016/17<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|
| Service cost                                | 3,031           | 3,912           |
| Administration expenses                     | 162             | 216             |
| Past service cost                           | 3               | 242             |
|   | 3,196           | 4,370           |
| Employer contributions to be set off        | (1,987)         | (2,144)         |
| Amount (credited)/charged to operating cost | <b>1,209</b>    | <b>2,226</b>    |

|   | 2016/17<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|
| <b>Analysis of the net amount charged to operating cost</b> |                 |                 |
| Net interest on the defined liability/(asset)               | <b>2,794</b>    | <b>2,908</b>    |

**12.4.4 Analysis of amount recognised in Statement of Changes in Taxpayers' Equity**

|   | 2016/17<br>£000 | 2015/16<br>£000 |
|---|-----------------|-----------------|
| Return on Fund assets in excess of interest                                       | 20,929          | (5,184)         |
| Other actuarial gains/(losses) on assets  | 851             | –               |
| Changes in financial assumptions  | (39,285)        | 15,786          |
| Change in demographic assumptions   | (2,230)         | –               |
| Experience gain/(loss) on defined benefit obligation                              | 10,115          | 5,189           |
| Actuarial gain/(loss) recognised in the Statement of Changes in Taxpayers' Equity | <b>(9,620)</b>  | <b>15,791</b>   |

**12.4.5 Sensitivity Analysis**

|  | £000    | £000    | £000    |
|--|---------|---------|---------|
| Adjustment to discount rate                            | +0.1%   | 0.0%    | -0.1%   |
| Present value of Total Obligation                      | 234,907 | 238,917 | 242,999 |
| Projected Service Cost                                 | 4,155   | 4,244   | 4,335   |
| Adjustment to long term salary increase                | +0.1%   | 0.0%    | -0.1%   |
| Present value of Total Obligation                      | 239,532 | 238,917 | 238,305 |
| Projected Service Cost                                 | 4,244   | 4,244   | 4,244   |
| Adjustment to pension increases and deferred valuation | +0.1%   | 0.0%    | -0.1%   |
| Present value of Total Obligation                      | 242,384 | 238,917 | 235,510 |
| Projected Service Cost                                 | 4,335   | 4,244   | 4,155   |
| Adjustment to mortality age rating assumption          | +1 Year | None    | -1 Year |
| Present value of Total Obligation                      | 248,025 | 238,917 | 230,153 |
| Projected Service Cost                                 | 4,379   | 4,244   | 4,113   |

### 13 Contingent liabilities

The Department has the following contingent liabilities:

There are a number of claims being made by employees and others for injuries sustained in the workplace totalling approximately £120k. No provision has been made for these cases, however, a provision of £7k has been made for personal injury claims where liability has been admitted.

The FSA has an unquantified contingent liability relating to a staff benefits dispute.

The nature of the work carried out by the FSA can mean that it may be subject to various claims and legal actions in the ordinary course of its activities with the position being uncertain and therefore unquantifiable.

The total quantified contingent liabilities are £0.1m (2015/16 £4.865m)

### 14 Related-Party Transactions

None of the Board Members, key managerial staff or related parties have undertaken any material transactions with the FSA during the year.

The FSA had a number of significant transactions with other Government Departments and other central Government bodies including Public Health England, Defra, CEFAS, Cabinet Office and its public bodies and agencies, Department of Health, APHA, LPFA, MRC and Ofsted.

Details of remuneration provided to Senior Civil Servants and Board Members can be seen in the Remuneration Report on page 78.

### 15 Entities within the Departmental Boundary

The FSA has no other entities within the Departmental Boundary.

### 16 Events after the reporting period

In accordance with the requirements of IAS10, Events after the Reporting Period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

There are no reported events after the reporting period.

### 17 Early adoption of IFRSs, amendments and interpretations

The FSA have not adopted any IFRSs, amendments or interpretations early.

### 18 IFRSs, amendments and interpretations in issue but not yet effective, or adopted

The IASB have issued amended standards IFRS 9 concerning Financial Instruments, IFRS 15 concerning Revenue from Contracts with Customers and IFRS 16 concerning leases. These standards are expected to be adopted by FReM in future years. These standards are not anticipated to have future material impact on the financial statements of the FSA.

## ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 5(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000

1. This direction applies to those government departments and pension schemes listed in the attached appendix.
2. These departments and pension schemes shall prepare resource accounts for the year ended 31 March 2017 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury (“the FReM”) which is in force for 2016-17.
3. If the Treasury has made an order for the year under section 4A(3) and (4) of the Government Resources and Accounts Act 2000, a department must detail the same information for each body designated in the Order under its name. This means that the department must also detail in its accounts the resources acquired, held or disposed of during the year by each of its designated bodies, and each such body’s use of resources during the year.
4. The Treasury made the following designation order for financial year 2016-17: the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2016 (S.I. 2016/323). The list of bodies designated in the Schedules to that Order are amended by the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2016 (S.I. 2016/1243). The amendments designate additional bodies, change the names of some designated bodies and remove some bodies from being designated.
5. The accounts of Government departments, with the details outlined above (for itself and its designated bodies) shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31 March 2017 and of the net resource outturn, the application of resources, changes in taxpayers’ equity and cash flows for the financial year then ended;
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
6. The accounts for pension schemes shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31 March 2017 and of the net resource outturn, changes in taxpayers’ equity and cash flows for the financial year then ended;
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them; and
  - (c) demonstrate that the contributions payable to the Scheme during the year have been paid in accordance with the Scheme rules and the recommendations of the Actuary.

7. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

**Vicky Rock**  
**Deputy Director, Government Financial Reporting**  
**Her Majesty' s Treasury**  
**19 December 2016**

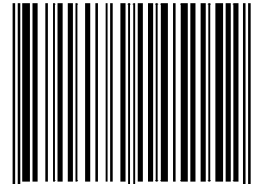








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